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NEWS SUMMARY

GENERAL

Polish Primate calls for freedom

Polish Primate Archbishop Jozef Glemp, in a strongly worded sermon last yesterday that curbs on freedom could lead to protest, rebellion and even war.

His sermon will be seen as a demand for concessions from Polish leader General Wojiech Jaruzelski. It has been endorsed by Pope John Paul. Page 2

Polish trade union Solidarity reported that Polish dissident Anka Kowalska was seriously ill in internment.

Rape case move

The woman at the centre of the Glasgow rape row is to privately prosecute her alleged attackers, her solicitor said.

Gas tragedy

A Doncaster detective facing a rape charge was found dead, apparently gassed. His brother turned on the unlit gas fire by mistake, causing an explosion damaging 15 houses.

Ulster shooting

A 21-year-old Armagh man, shot dead by soldiers who thought he had a gun, had been on bail accused of making petrol bombs.

Pajetta riposte

Giancarlo Pajetta, Italian Communist Party foreign affairs spokesman, rejected Soviet criticism of the movement and accused the Soviet party of arrogant interference. Page 2

Rome arrests

Police at Fiumicino Airport, Rome, arrested a Syrian man and a West German woman accused of possessing 12 electric detonators and three false passports.

Zia plea to Soviets

President Zia of Pakistan appealed in Belgrade for the Soviet Union to withdraw troops from neighbouring Afghanistan.

Hint on taxes

The Government may have scope in the Budget for modest tax relief, according to official indications detected by Tory MPs. Back Page

Ripper costs

Yorkshire County Council said the Ripper hunt cost £4m for police overtime and appealed to the Government to pay the bill.

Shipping curbs

West European countries plan tougher action against ships offending safety and pollution standards. Back Page

'End infiltration'

Community Party general secretary Gordon McLennan called for an end to the alleged infiltration of his party by MI5.

Mayor's appeal

Bethlehem mayor Elias Frej called on Israel and the PLO to recognise one another and is trying to get other West Bank mayors to back him.

Shell shocked

Valuable oyster beds in the Solent are being attacked by Euro tingles — small snails which drill through the oyster shells and eat the meat.

Briefly ...

Lady Reed, widow of film director Sir Carol Reed, died aged 67.

Temperature in Melbourne, where West Indies played Australia at cricket, reached 117F (47C).

BUSINESS

Fall in BL share of car market

● BL's share of the UK car market fell to 1? per cent in the first three weeks of this year after rising to 19.2 per cent last year. Back Page; Low morale, Page 5

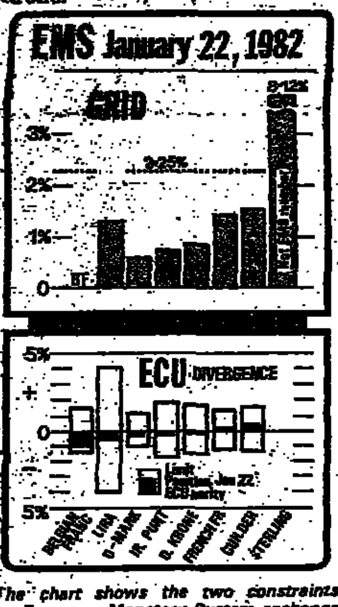
About 1,000 workers at Leyland Vehicles' Bathgate plant near Edinburgh have volunteered for redundancy. Page 8

● U.S. CAR WORKERS voted to resume talks with General Motors and Ford, renewing hopes of early agreement on wage contracts. Page 2

● EEC governments may today agree guidelines for Community reform with a formula for milk production and the resolution of the British budget dispute. Back Page; Textiles pact, Page 2

● TRADING among members of the European Monetary System was fairly quiet last week. Intervention by central banks to hold down the dollar as European interest rates fell, in contrast to rising Eurodollar rates, caused no significant problems for the EMS, and all members stayed within agreed divergence limits.

The Belgian franc remained the weakest currency, but improved slightly. The Dutch guilder stayed above the French franc at the top of the system. Cuts in Dutch and German central bank interest rates had little impact and the only other point of note was a weakening of the Irish punt and Danish krone.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● BRITAIN is to ask Japan to agree to lower air fares on the London-Tokyo route in talks which start in Tokyo today. Page 3

● LABOUR PARTY and union leaders are to discuss proposals for involving a future Labour government in key corporate decisions, such as pricing strategy and product development. Back Page

● LORRY DRIVERS in Wales rejected a pay offer worth 8 per cent. Page 8

● CARR, SEBAG, the City stockbroker, has made 20 employees redundant as part of a reorganisation programme. Page 4

● MARATHON OIL, the 17th largest U.S. oil group recently acquired by U.S. Steel, reported profits of $343m (£183m) for last year, $36m down on 1980.

● ICL and U.S. groups Control Data and NCR are taking part in a rescue operation for the U.S. computer printer manufacturer Centronics. Page 4

Gloom over prospects for early settlement of BR pay dispute

BY PHILIP BASSETT, LABOUR STAFF

ALL SIDES in British Rail's dispute with its train drivers over pay and productivity were gloomy last night about the prospects of an early resolution to the current strikes.

The end last night of the second of the one-day Sunday strikes by members of the Associated Society of Locomotive Engineers and Firemen followed:

● The collapse of talks to put the dispute to binding arbitration;

● a warning by BR that it would tomorrow consider ending Sunday payment to non-strikers;

● undertakings in the High Court from two drivers' representatives that they would instruct their members to end the blacking of the Sun, the Times and other News Group newspapers over an article alleging abuse of present work rostering arrangements.

Aslef is expected tomorrow to call for a new round of strike action for next week.

BR, union officials and the Advisory, Conciliation and Arbitration Service were pessimistic about the prospect of any further intervention to prevent services being shut down from tomorrow night. This follows Aslef's refusal, at talks which stretched into the weekend, to go to binding arbitration on the dispute.

Neither BR nor Acas put forward any firm proposals in the talks. But there was an "emerging possibility that BR would pay the drivers the disputed 3 per cent second stage of last year'ss 11 per cent pay deal—provided Aslef agreed to be bound by arbitration under Lord McCarthy chairman of the Railway Staffs National Tribunal.

Acas officials thought this was a considerable movement by BR, and hope Aslef may respond. However, senior Aslef officials said last night that there was nothing in BR's position for the union to pick up.

Sir Peter Parker, BR chairman, supported the idea that Acas should set up its own committee of inquiry into the dispute, if Aslef was refusing binding arbitration.

Acknowledging that such an inquiry would place only a "moral obligation" on the union, Sir Peter said it might give Aslef a "new clarity" about what he said was its agreement on the crucial productivity improvement of more flexible work rostering.

Mr Pat Lowry, Acas chairman, contacted all the parties to the dispute by telephone yesterday. Acas is reluctant to make an

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RAIL PROSPECTS

TODAY and TUESDAY: British Rail hopes for a near normal service following yesterday's strikes. Some services, particularly on Southern Region, could be affected by the voluntary overtime and rest day working ban.

WEDNESDAY and THURSDAY: Strike called. All services will be run down from 10 pm tomorrow.

FRIDAY and SATURDAY: Near normal.

SUNDAY: No trains.

Disruption of services through unofficial action by drivers or guards cannot be ruled out.

Russian grain crop 'again poor'

By Our Moscow Correspondent

RUSSIA APPEARS to have suffered a third consecutive poor grain harvest.

The Kremlin has announced a number of statistics which paint a bleak picture of the Soviet Union's industrial and agricultural performance. But in an unusual break with normal practice, it omitted to give figures for wheat, maize, barley or rye.

The failure to give grain figures has reinforced the belief among Western analysts that the harvest in 1981 may have been one of the worst for years. President Leonid Brezhnev has already acknowledged a "poor harvest."

Kremlin economic planners forecast a 1981 grain harvest of 238m to 240m metric tons. U.S. Agriculture Department analysts have predicted a Soviet grain crop of about 175m tons for 1981.

Some Western analysts in Moscow said that this U.S. estimate could turn out on the generous side.

The planned annual grain yield for the 1981-85 period is 239m tonnes, more than the record harvest of 237.4m tonnes in 1978.

If the U.S. estimate is correct then Soviet grain farmers must produce 255m metric tonnes, far above their record yield in each of the next four harvests, to meet plan targets.

In 1980 farmers harvested 189.2m tonnes of grain, 46m tonnes short of the planned 235m tonnes, and in 1979 *gathered* 179m tonnes, well below the planned 226m.

Shortage of grain at home means that the Soviet Union must turn abroad for food, and reduces the scope for helping Eastern Bloc neighbours like Poland with their food problems.

Last year, despite a partial U.S. grain embargo, the Soviet Union imported a record 34.5m metric tonnes of grain. President Ronald Reagan lifted the embargo last April, and on October 1 the U.S. said it would allow Russia to buy a maximum *of 23m metric tonnes of grain.*

For Soviet citizens the poor harvest will inevitably mean longer queues for less food. But, apparently to calm Russians' fears, the Government newspaper Izvestia said that State resources would provide a full supply of bread and bread products.

As a whole the Soviet economy grew by more than 3 per cent in 1981, though production in some key industrial sectors, particularly coal, fell below target.

Polish news, Page 2

Paris and Kremlin agree on gas pipeline contract

BY TERRY DODSWORTH IN PARIS

FRANCE and the Soviet Union reached agreement at the weekend on a new natural gas supply contract which forms part of the complex negotiations over the controversial Russian gas pipeline project.

The deal, concluded at an emergency session early on Saturday, is the first significant contract signed between Russia and the West since the Polish crisis erupted in December.

It follows a period of intense discussions within the French Government about the advisability of going ahead fully with the project, which will mean that about 30 per cent of France's gas will come from Rusisa by the end of this decade.

Despite pressure from the U.S., the French Socialist Government decided to continue with the agreements as originally planned, partly because of the aim of diminishing dependence on Middle East oil.

Under the cutback Russia is to supply France with an additional 8bn cubic metres of gas annually for 25 years from 1984, *the date at which the* pipeline is planned to be in service.

Prices have not been disclosed, in common with most international agreements of this kind.

But it is possible that Gaz de France, the French nationalised gas service, has been able to get a slightly better deal out of Soyuzgas, the Soviet gas export company, that that agreed with the West Germans, said to be about $4.75 per million British thermal units.

In addition to this base price, set to apply from the middle of last year, the French are believed to have arranged an indexing system determined by a basket of energy products.

There wil also be a minimum price applicable during the contract, aimed at guaranteeing *Moscow a specific return on the* project.

A similar minimum price clause was written into the West German agreement, mainly to give the Russians a base on which to plan their own $15bn investments in the export pipeline from western Siberia.

Agreement on the gas contract with the French, who have been far more critical of Soviet interference in Poland than the West Germans, will undoubtedly give the Russians a considerable boost in their moves to keep the pipeline programme on course in the face of the recent U.S. sanctions.

Deals have now been signed for delivery of well over half the 40bn cubic metres of gas planned for the project, West Germany taking 10.5bn cubic metres annually, Italy 8.5bn, and France 8bn.

The Soyuzgas negotiators are expected to start further talks in the immediate future with Austria, Holland, Belgium and Switzerland on delivery of the remaining 13bn cubic metres.

The French authorities have promised a statement within a few days which is expected to shed more light on the arguments for going ahead with the contract.

But the French Government has already made it clear, through M Jacques Attali, one of President Francois Mitterrand's closest advisers, that it does not consider that the new deal will make the country dangerously dependent on Russian energy.

Although Soviet gas supplies are going up, oil deliveries to France will decline, and a level of 5 per cent dependence on Russian energy was acceptable, said M Attali.

France is clearly not prepared as yet to undo the strong trade links developed with the Soviet Union over the last few years, though she has recently shown signs of hardening her attitude to export of high-technology equipment.

The pipeline project, in particular, will be extremely important to French industry.

Contracts have already been signed for a total of FFr 4.5bn ($776m) worth of material, including the Creusot-Loire part *of the general management deal,* a separate agreement for Creusot-Loire refrigeration stations, and a Thomson Group contract to supply a computerised system for measuring and controlling the flow of the gas.

Further contracts, up to a total of about FFr 10bn, might come France's way out of the total project costed at around FFr 55bn ($10bn).

Because of the U.S. embargo on export to Russiai of oil and gas equipment, French contractors are privately questioning whether the deal will go through on the planned timetable.

Some have even raised the possibility of renegotiating the whole deal, but for the time being work on ordered equipment continues.

Improved Midland plants anticipate resurgence

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

COMPANIES throughout the Midlands have introduced change and improved performance *on a scale sufficient to* "raise hopes of an economic resurgence," according to a survey by the West Midlands region of the Confederation of British Industry.

But, says the report published today, the point has now been reached at which structural adjustments g are occurrin despite, rather than because of the hostile economic climate. Continuing attempts to improve competitiveness are being undermined, it suggests.

The significance of the survey lies less in the policy actions *recommended — they are* broadly in line with what the CBI is arguing nationally. It is the evidence provided of how companies have responded to two years of recession in a region heavily dependent on manufacturing and regarded as the industrial heartland of *Britain.*

Th: data, collected from 197 companies, regarded by the CBI as representative of its membership in the region, shows:

● One in two companies have developed new products. In "a surprisingly large number of cases" an entire product range has been replaced, thereby cutting costs and raising efficiency.

● Three out of four companies have modified existing products, introducing new technology and improving productivity, quality and reliability.

● *Nearly 70 per cent of the* companies have broken into new markets. Some have switched from engineering to consumer goods or from chemicals to mining. Dependence on traditional UK markets has been reduced by foreign acquisitions in favour of Europe, the Far East and North America.

● Half the companies have

Continued on Back Page

CBI SURVEY OF MIDLAND COMPANY CHANGES

	Yes %	No %
Developed new products	50	47
Modified existing products	76	20
Increased product range	75	22
Engaged in process innovation	71	29
Diversified markets	68	31
Expanded exports	49	48
Introduced more flexible working	71	27
Restructured management	67	31
Invested outside UK	13	79
Reduced UK capacity	45	50

TUC predicts 5m. unemployed

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE TUC has forecast that the real number of unemployed will rise to over five million by the mid-1980s.

It has called for a relationary package of £8.4bn in the next Budget to begin the road back to full employment.

A draft of the TUC's annual economic review, which will be considered by its general council on Wednesday and published within the next few weeks, also proposes:

● A sustained growth rate of 4 per cent a year — unprecedented for more than one year at a time in the UK — and a sharp reversal of the negative growth rates of between —2.5 per cent and —3 per cent in the last two years.

● A "central planning body" on the lines of the Japanese trade and industry ministry and the French planning machinery.

● A planned approach to trade, including an "orderly" depreciation of sterling and "temporary and selective import controls" in such sectors as textiles, motor vehicles, electrical goods, footwear and coal.

● The replacement of the Government's Medium Term Financial Strategy with a "medium term growth strategy."

● TUC involvement in the annual Public Expenditure Survey Committee, the top Whitehall officials' group which allocates public spending budgets by departments.

● Statutory rights for unions to information from and consultation by companies and to representation at board level.

The review will be the main subject of a full meeting of the TUC/Labour Party liaison committee meeting today. At several points, the draft refers to the previous work of the committee and stresses the common approach of the party and the TUC.

The level of expansion proposed by the TUC has increased by more than £2bn from last year's review figure of £6bn. This year, the TUC argues that the £8.4bn reflation — or 4 per cent of GDP — is necessary because "unemployment is far greater than last year, and the further year of recession has left more unused resources."

The review notes that a number of other bodies and individuals had taken up the £6bn expansion figure in the past year, but says "these other alternatives are inadequate in scale when compared with the size of recovery needed."

The review splits the gross £8.4bn figure down to a capital programme of £2.1bn on house and road building, inner city schemes and investment in the nationalised industries, health services and education; a £1bn manpower and training strategy; £600m as aid to industry; £500m in relaxation of the nationalised industries' external financing limits; £1.2bn on social expenditure, mainly increased pensions; £650m to local education authorities and universities; £225m to local authorities; and a cut in the rate of all VAT from 15 per cent to 12.5 per cent at a cost of £2bn.

In a passage which may be contested by some left-wing union leaders, the final section of the review proposes a National Economic Assessment—a mechanism already mooted by the TUC/Labour Party liaison committee in its document "Economic Issues Facing the Next Labour Government" — which would "embrace such issues as the share of the national income going to profits, to earnings from employment, to rents, to social benefits and other incomes."

Corporate planning role, Back Page

IBM move on UK switchboards

BY GUY DE JONQUIERES

INTERNATIONAL Business Machines, the American company which is the world's leading manufacturer of data processing equipment, is set to make a new move into the UK telecommunications market.

The company is seeking British Telecom approval for a sophisticated new system designed to link separate telephone switchboards and enable them to function as though they were a single unit.

At present the only telecommunications products which IBM supplies in Britain are private branch exchanges (PBXs). It sells two models, the 3750 and the 1750, both of which were developed several years ago.

IBM says that its new system, known as Integrated Networking System (INS), has no direct competitors in the UK. It is claimed to make more efficient use of companies' private leased telephone circuits, while reducing the number of staff required to operate switchboards.

The first INS is being installed on a pilot basis, together with two 1750 PBXs, at American Express International Banking (AEIBC). IBM plans trials of two other systems soon, so that they can be evaluated by British Telecom.

INS will enable operators at AEIBC's London headquarters to control an unmanned switchboard at the bank's new offices in Poole, Dorset.

An AEIBC employee in Poole trying to obtain a busy extension in the London headquarters will be called back automatically once the number is free. There will also be facilities for three-way "conference calls" between staff in the two offices and outside callers.

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OVERSEAS NEWS

UAW votes to resume talks on pay cuts

By Paul Betts in New York

THE UNITED Auto Workers voted over the weekend to resume talks with General Motors and Ford on agreements to cut production costs in return for more job security.

Talks on new contracts which would run until September 1983 opened two weeks ago. A deadline for fresh discussions with General Motors which will be held in Detroit has been set for midnight Thursday. The talks with Ford are expected to start on Friday.

The negotiations come when the U.S. car industry has been hit by recession at home and by a flood of cheap imported Japanese cars.

To try to regain some competitive edge an agreement would aim at holding down labour costs by introducing a wage freeze and eliminating other fringe benefits, as well as reducing the number of paid holidays. In return GM, the largest U.S. car manufacturer, has indicated it would be prepared to reduce car prices. The idea is that cheaper car prices would stimulate sales and make for better job security.

GM is looking for concessions large enough to cut current car prices by at least $1,000 (£531) each. Anything less, GM says, would have little impact in reviving flagging car sales, especially at a time when U.S. interest rates seem set for an upward rebound.

The rank and file appears disgruntled by the scale of concessions demanded by GM's management.

● Reginald Dale writes from Washington: President Reagan is "leaning against" increased excise taxes on luxury items to help narrow the U.S. budget deficit for fiscal 1983, Senator Howard Baker, the Republican majority leader in the Senate, said yesterday. He stressed, however, that Mr Reagan had not yet made a final decision.

Mr Baker, an advocate of increased taxes on such items as tobacco, alcohol and petrol, said that he would still support the President even if he announced no tax increases in his State of the Union speech tomorrow night.

Polish Primate calls for restoration of freedoms

BY CHRISTOPHER BOBINSKI IN WARSAW

ARCHBISHOP JOZEF GLEMP, the Polish Primate, yesterday delivered a strongly worded sermon designed to raise morale in the country and to calm fears that the Church was being too conciliatory in its approach to the authorities.

His words will be seen as a demand for concessions from General Wojciech Jaruzelski, the Polish leader, who is due today to address Poland's Parliament in its first session since martial law was declared.

Archbishop Glemp also warned, in his pastoral message to be read out from Poland's 18,000 pulpits, that curbs on freedom could lead to protest, rebellion and even war.

[Pope John Paul firmly endorsed the pastoral letter's demands for a restoration of freedoms, speaking to pilgrims in St Peter's Square yesterday.]

Archbishop Glemp's sermon was broadcast by Polish radio within the framework of the weekly Sunday mass broadcasts of which resumed last week.

The Archbishop repeatedly referred to internees held by the authorities and called on families "to say the rosary at home so that those who have lost their liberty should regain it as soon as possible".

He also said that the mass media, both at home and abroad, must provide reliable information. This was a criticism of the present official propaganda policy overseen by Mr Stefan Olszowski, a party secretary noted for his hard-line views. But it is also aimed at the Western press and radio stations which broadcast to Poland.

"Neither rulers nor ruled should have lies used against them, or be slandered in the fervour of the struggle. Their faults should not be exaggerated, their merits should not be played down, nor should they be made fun of," the Primate said. This was clearly a criticism of the tone of various clandestine leaflets produced by Solidarity activists.

"We must pull ourselves out of this situation together," he said, referring both to society and to the authorities. "But unity can only be achieved through dialogue and dialogue can only be held in an atmosphere of truth."

The Primate reminded his listeners: "The time God has granted us is a gift. It should not be wasted through sloth, bitterness, apathy, discouragement. These things are not worthy of a Christian."

This remark should be greeted by the authorities with some satisfaction as it goes against calls by Solidarity leaflets for passive resistance, especially at work.

Agencies add: Ryszard Reiff has been dismissed as leader of Pax, the Catholic organisation which has had a record of collaboration with Government but which has recently been taking a more independent line. Mr Reiff had been advocating a coalition of Church, Communist Party and Solidarity.

The Polish Government's preliminary figures for this quarter's economic plan assume an 8 to 10 per cent drop in industrial production against the same period last year, our Warsaw correspondent reports.

Mr Zbigniew Madej, the Government planning chief who is also Deputy Premier, admitted that the shortage of hard currency was now the main limitation on the economy and was slowing down the import of raw materials.

Plans up to April project a 7 per cent rise in coal output and nearly 5 per cent in cement, but copper production is to fall by 5.4 per cent, steel goods by 28 per cent and oil products by 21 per cent.

U.S. keeps up pressure on allies

BY JOHN WYLES IN BRUSSELS

THE U.S. kept up pressure on its allies at the weekend to mount sanctions against Poland and the Soviet Union but officials are now clearly reconciled to a slow and varied response from Europe.

At a weekend meeting of the North Atlantic Treaty Organisation's council, Mr Robert Hormats, Assistant Secretary of State for Economic Affairs, reminded the allies of the need for action in line with the declaration issued by the Nato Foreign Ministers on January 11.

This committed Nato members to considering a variety of national measures against both Poland and the Soviet Union aimed at stepping up pressure for the release of detainees, the lifting of martial law and the restoration of a dialogue between the Government, the Church and Solidarity.

During a paragraph by paragraph examination of the January 11 communiqué, various delegations gave details on Saturday of the modest measures which are either being taken or under consideration.

Most Governments were represented by their Nato ambassadors plus economic experts. According to a senior U.S. official the allies have begun to tighten restrictions on Soviet diplomats and to cut back on bilateral exchanges with Moscow. Most governments will also mark the international day of solidarity with Solidarity next Saturday.

The official said that representatives of European Community Governments implied that the meeting of Community Foreign Ministers today and tomorrow might announce further moves. EEC officials say, however, that the Ministers are unlikely to do more than promote further technical studies on restricting imports from the Soviet Union. But any action on this front risks a veto by Greece which is opposed to economic sanctions.

Italian party denounced

BY OUR MOSCOW CORRESPONDENT AND JAMES BUXTON IN ROME

THE KREMLIN angrily denounced the leadership of the Italian Communist Party yesterday, accusing it of taking a stance on Poland which favoured anti-Communist forces.

The attack in Pravda, the Soviet party daily, follows strong criticism by Sig Enrico Berlinguer, the Italian party's leader, and his colleagues, of Moscow's role in the Polish crisis.

Sig Giancarpo Pajetta, the party's foreign affairs spokesman, rejected the Soviet attack. He accused the Soviet Communist Party of "arrogant interference."

Pravda, in a 3,500-word article, dismissed a charge that Moscow had interferred in Poland's affairs. It accused Sig Berlinguer and his colleagues of denigrating world socialism

M Mauroy: aims to avoid further conflicts

Snags for troubled French Bill

By Terry Dodsworth in Paris

THE French Government has run into further difficulties with its nationalisation project as a result of moves both by its own Parliamentary supporters and of shareholders in Matra, the high technology company which is on the nationalisation list.

The problem derives from changes in the Nationalisation Bill brought in by the Government in response to criticisms from the Constitutional Council of the original project.

According to the Parliamentary Socialist group, some of the Government alterations are over-generous. It has therefore put down three main amendments aimed at keeping three co-operative banks out of the scope of nationalisation, while bringing non-quoted banks more quickly into the project, and freezing sales of foreign subsidiaries.

The Communist Party, the minority partner in the ruling Parliamentary majority, has also introduced an amendment designed to finance the extra cost of the changes initiated by the Constitutional Council judgment through an additional wealth tax.

The amendments clearly reveal the irritation of the Parliamentary Party over the Constitutional Council decision, widely attacked on the Left as a judgment which will slow up the programme, while making it more expensive for the nation to the advantage of well-heeled shareholders.

While the argument has revealed a significant tactical difference between the Government and the Socialist Party, it is unlikely to lead to a serious modification of the Administration's plans.

M Pierre Mauroy, the Prime Minister, has clearly stated that his main consideration is to push through the nationalisation programme as quickly as possible, and he is therefore aiming to avoid further conflicts with the Constitutional Council.

Mugabe attacks multinationals over prices

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE's Prime Minister, Mr Robert Mugabe, has again attacked the multinational mining companies for "selling minerals abroad at unacceptably low prices." The Prime Minister was speaking against a background of criticism by the mining houses of the Zimbabwe Government's Minerals Marketing Corporation Bill and warnings that this legislation will deter new investment.

Mr Mugabe said his Government was taking steps to ensure that the country's wealth was "handed back to the people." Reporting the speech, the Sunday Mail said the Prime Minister had accused the mining multinationals of "milking" the country.

Speaking in Shona, the Prime Minister was reported to have accused the U.S. Union Carbide Group of exporting its ferrochrome to its associate company in the U.S. at "give away" prices. At a rally yesterday Mr Mugabe mentioned the Anglo American Corporation and Rio Tinto in a similar context.

The Minerals Marketing Corporation Bill was given its first reading last week. The Chamber of Mines, representing the major mining houses, has come out strongly against the legislation which will lead to the nationalisation of the marketing function in the industry.

The Prime Minister claimed that there were buyers overseas willing to pay more for the country's mineral exports than the present prices. "We would like to sell to the people who pay the most," he said.

He also promised that in this year of "national transformation" changes would be made in industry and farming. "We shall not take away white farms but some of them are so big that they will have to be reduced and the land handed back to the people."

Mr Mugabe dismissed criticism by the former Prime Minister, Mr Ian Smith over the alleged torture of a 61-year-old white MP, Mr Wally Stuttaford, who has been detained without trial for six weeks. Mr Mugabe recalled that he, himself, had been detained for more than 10 years by Mr Smith.

Iranian 'ambitions' top agenda for Gulf talks

BY JAMES DORSEY IN KUWAIT

DEFENCE Ministers of the six nation Gulf Co-operation Council meet today in the Saudi-Arabian capital Riyadh, amid growing concern about Iranian ambitions in the area and anxiety about that country's successes in the Gulf war against Iraq, which is now in its sixteenth month.

The Defence Ministers of Saudia Arabia, Kuwait the United Arab Emirates, Bahrain, Qatar and Oman are expected to discuss a joint Gulf security pact, integration of their weapons systems and an improvement in communication between the six countries' joint chiefs of staff.

The six states are particularly concerned about Iranian intentions following the discovery last month of an alleged Iranian plot to overthrow the Government of Bahrain. Concern has been heightened by Iranian battlefield successes against Iraq.

Bahrain has asked its fellow members of the Gulf Council to break off diplomatic and economic relations with Iran.

Outlook remains bleak for Israel's economy

BY L. DANIEL IN TEL AVIV

THE OUTLOOK for the Israeli economy remains bleak, even though the Government managed to reduce inflation from 133 per cent in 1980 to 101 per cent last year.

The most optimistic forecasts see inflation falling to 90 per cent. This estimate is based on the 475bn shekel (£15.7bn) draft budget for the 1982-1983 fiscal year starting in two months, which was presented to the Government yesterday.

The budget is roughly equivalent to this year's in real terms. It was presented later than expected because of ministerial differences over proposed cuts.

The Treasury has been unable to persuade the Education Minister to agree to a 7.5 per cent budget reduction. The Minister for Social Welfare has also protested against sharp cuts. The defence budget will remain unchanged.

Both foreign and domestic debt repayments will rise steeply, forcing the Government to prune subsidies for basic foods. This is expected to raise the price of these commodities to the consumer by 50 per cent during the year.

The Government aims to save costs in the Civil Service through natural wastage.

Malaysia confirms British tanks deal

THE MALAYSIAN Government has signed a contract to buy 51 British Scorpion tanks and armoured personnel carriers, worth about 100m ringgit (£24m) under Malaysia's armed forces expansion programme, according to Premier Mahathir Mohamad, AP reports from Kuala Lumpur.

But he said the purchase agreement with Alvis of Coventry was signed before his directive in early October limiting the purchase of British-made goods.

Mr Mahathir, angered by Britain's rise in fees for Malaysian students and other actions, ordered the Malaysian Government to give preference to non-British made goods.

"We have to honour the pledge to buy the tanks as the contract was signed before the announcement on the directive was made," the Prime Minister said.

Mr Mahathir told a Press conference that the Government stood firm on its decisions concerning British goods.

He said that the Government, in making future purchases, would continue to seek a suitable alternative to British-manufactured goods. Everything else being equal, we will still not buy British goods," he said.

Egypt 'under no U.S. pressure'

Egypt feels no pressure from the U.S. to conclude an agreement with Israel over autonomy for the Palestinians in the West Bank and the Gaza Strip before Israel's final withdrawal from Sinai on April 25, President Hosni Mubarak was quoted as saying yesterday in an interview in the newspaper Al-Akhbar, Anthony McDermott reports from Cairo.

Israel has been pressing for such an agreement before its withdrawal. But Mr Alexander Haig, the U.S. Secretary of State, during his last visit here earlier this month, sided with Egypt on this point.

Mr Haig is due back in Egypt on Thursday after visiting Israel.

African response to Namibia plan

The formal response of African front-line states and the South West Africa Peoples Organisation (Swapo) to the first phase of current Namibian independence negotiations will be considered by the five-member Western contact groups, expected to meet in Bonn early this week, writes Michael Holman.

Ministers from the front-line states—Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe—together with Nigeria and Kenya, met in the Zambian capital of Lusaka at a weekend conference

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EEC TALKS ON MULTI-FIBRE AGREEMENT

Smoothing the way for textile pact

BY GILES MERRITT IN BRUSSELS

SENIOR officials of the European Economic Community meet in Brussels today in an effort to clear the way for a Council of Ministers' meeting on January 26 on low-cost textile imports policy.

The EEC trade ministers had been scheduled to endorse the new protocol, negotiated last December in Geneva, extending the Multi-fibre Agreement (MFA) governing international textile trading until 1986.

However, a number of unresolved questions are setting governments against one another and against the European Commission. Until these problems are settled, the future of the renewed MFA remains in doubt.

The EEC, whose textile imports from the countries party to the MFA run at an estimated $10bn (£5.3bn) a year, is the most important partner in the 50-nation pact.

Protectionist pressures inside a number of Community countries—notably Britain, France and Italy—threaten, however, to force an EEC walkout from the MFA, unless bilateral import agreements that would substantially nullify the effects of the multi-lateral MFA are concluded this year.

Although it had seemed that renewal of the MFA, which itself involved protracted negotiations between the EEC and Third World producers, would establish a new textile trading regime, it is clear that signature of the pact was only the preliminary to involved intra-EEC wrangling. Some observers believe the wrangling could last for much of this year.

At issue are the limits that the EEC will from next year set on all low-cost textile imports, and the terms that would need to be met by exporting countries to prevent the EEC from quitting the MFA.

The differences between EEC governments that will dominate today's preparatory meeting in Brussels and the Ministerial Council on Tuesday centre on the bilateral importing agreements that the European Commission hopes to start negotiating in May with MFA countries and others that have preferential status with the EEC.

The Commission is still being pressed to produce consolidated figures showing what the impact on Community textile industries of new import levels would be. Until it does so, agreement on the "global ceilings" that will determine the overall volume of future EEC textile imports seems unlikely.

In the meantime, EEC governments have still to settle their disagreements over the terms attached to the Community's acceptance of the renewed MFA.

Although at the Geneva talks last month the EEC cautioned that on October 31 this year it may decide to give notice that it will leave the MFA at the end of 1982, West Germany and the Brussels Commission are both attempting to have that condition relaxed.

The Bonn Government is understood to be contesting the procedure under which EEC governments would need to take a positive decision to remain in the MFA, while the Commission is urging that the October 31 deadline shoud be abandoned, or extended until the end of this year.

PORTUGAL, which once hoped to join the European Economic Community early next year, may not be able to sign the treaty of accession before the end of this year, putting its joining date back to possibly mid—or late 1984, Diana Smith reports from Lisbon.

Sr Francisco Pinto Balsemao, Prime Minister, said yesterday that some of the most sensitive dossiers—which include agriculture, textiles and movement of manpower—might not be completed before the end of the year.

Sr Balsemao was speaking before leaving Lisbon yesterday for meetings this week with Community leaders in Brussels, Luxembourg and Copenhagen.

Chance for Laker in Pacific as Japan air talks begin

BY CHARLES SMITH IN TOKYO

THE UK and Japan open four days of talks on civil aviation tomorrow against a background of acute tension between the two countries on bilateral trade issues.

In the talks Britain will ask Japan to agree to lower fares on the London-Tokyo route and to give its blessing to the start of transpacific flights by Laker Airways of the UK and Cathay Pacific of Hong Kong.

Japan is believed to be prepared to discuss the lowering of air fares—although not to the levels proposed by the UK.

So far as the Cathay and Laker transpacific flights are concerned discussion will centre on capacity—the number of flights and the type of aircraft to be used. The existing UK-Japan air agreement already allows British airlines to fly the Pacific from Tokyo (although no British airline has flown the route for the past 10 years).

The UK-Japan talks are the first full discussions to be held between the two sides since 1977, although preliminary meetings were held in London last autumn.

Relations between the UK and Japan have been generally smooth in the aviation field, but Japan is said to be unhappy both at Britain's desire to introduce low fares into the Pacific region and at what it regards as unfair diversion of traffic away from the direct Tokyo-London route by cheap Hong Kong-London fares.

Japan claims that about 10 per cent of the roughly 200,000 passengers per year who would normally fly between Tokyo and London have been making the trip via Hong Kong since Britain introduced low fares (and a doubling of capacity) on the Hong Kong route in July 1980. The UK response appears to be that the way to deal with this situation is to introduce more attractive fares on the direct Tokyo-London route. Apex fares—low fares for passengers who make advance bookings within a stipulated period—are expected to be proposed by the British side in this context.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

(U.S.$m)

	Nov. '81	Oct. '81	Sept. '81	Nov. '80
U.S.	10,732	10,411	10,050	8,735
U.K.	13,117	12,799	12,919	19,560
W. Germany	40,387	40,166	43,075	43,775
France	19,518	19,464	19,649	26,595
Italy	17,020	17,291	17,489	21,424
Japan	25,035	24,775	24,342	21,267
Netherlands	7,961	7,581	7,192	10,180
Belgium	4,099	3,932	3,990	6,761

Source: IMF

W. German tyre maker gets Japan foothold

By Kevin Done in Frankfurt

CONTINENTAL, the leading West German tyre producer, has gained a foothold in the Japanese original equipment tyre market with an order to supply tyres to Isuzu, the Japanese automobile group in which General Motors of the U.S. has a large minority stake.

The tyres, which will be imported by Yanase, the Japanese importer which also handles sales of Volkswagen and Daimler-Benz cars in Japan, will be used by Isuzu for its prestige Piazza model.

The order, worth around DM 700,000 (£162,000) involves tyres for some 2,500 cars. The contract, while small, is a further indication of Continental's continuing efforts to break into the Japanese market.

Late last year the company announced it had signed a preliminary agreement with the Toyo Rubber Industry Company in Osaka, which is expected to lead to the Japanese group acquiring Continental technology. It will manufacture tyres for the German group for marketing under the Continental name.

To date Continental has achieved only minimal sales in the Japanese market amounting to around 100,000 tyres a year for the replacement market. Continental has annual sales of around 19m car tyres and 3.5m truck and other tyres.

Japanese tyre makers have also made little impression on the European car tyre market, holding less than 1 per cent of the West German car tyre market and around 10 per cent of the truck tyre market.

Soviet order for Hoechst

By Our Frankfurt Staff

UHDE, the West German process plant engineering subsidiary of Hoechst, has won a DM 600m (£140m) contract to build a polyester filament plant in the Soviet Union.

The order was signed last week with the Soviet foreign trade organisation, Techmachimport in Moscow, and was won against Japanese and European competition.

The plant will be located in Mogilev, 500 km to the west of Moscow, and will be the fifth major polyester plant built by Uhde in the USSR. It is expected to come on stream in 1985.

The plant will be paid for partly through compensation trade, but not with products coming directly from the polyester plant. Under the terms of the contract production from the plant cannot be sold into western markets.

Uhde has already built three polyester plants in Mogilev. A year ago Uhde won a DM 400m order for a 24,000 tonnes a year polyester filament plant to be built at Svetlogorsk to the south of Minsk.

Cold weather hinders U.S. coal shipments

By Our Shipping Correspondent

SHIPPING markets remained confused last week, with no end to the tonnage surplus in the tanker sector in sight and cold U.S. weather hindering coal shipments from East Coast ports.

On the iron ore front, talks between producing countries and the buyers yielded no agreement on price and a further round of talks will be held early next month, Galbraith Wrightson said.

Thus there is likely to be little iron ore shipping activity in February as lack of demand for steel during the recession leads mills to resist producer demand for price rises of up to 30 per cent.

Bad weather has affected coal shipping along the upper reaches of the Mississippi, while the movement of coal in and out of the Eastern seaboard in the U.S. has been halted by coal stocks and railway points freezing up.

This has caused problems for the Japanese whose coal imports from Australia are already being hampered by labour disputes there.

This should lead to greater demand for coal from South Africa, but there are doubts about the ability of that country to raise its export quotas in time.

As for freight rates, there was a drop to $9.50 a ton on the U.S. Gulf-Europe grain run. Simpson Spence and Young Shipbrokers said the only hope for 1982 was that stocks of raw materials may fall, causing a sudden rush at the end of the year to replace them.

This would cause considerable congestion, as in Hampton Roads in the Eastern U.S. early last year when 170 ships were anchored waiting to load coal, and a hardening of rates.

Mark Webster on efforts to develop tourism within Africa

Hoteliers see high growth potential

EVERY WEEKEND, dozens of people make their way laboriously through the border posts from Nigeria or Ghana to spend their time quietly in the five-star Beach Hotel of Sarakawa, Lome-Togo.

Even though the journey from Lagos, the Nigerian capital, involves two borders and can take five or six hours, ex-patriates and Africans alike feel it worthwhile in order to spend some time in the relative peace and quiet of Togo.

Inter-African tourism is a relatively new phenomenon in west Africa, but it is catching on fast. As a result, the Paris-based PLM Hotel group will start the first inter-African charters this year to try to boost it further.

"We are sure it is a market with immense potential," said M Guy Catharine, the commercial director for PLM in west Africa. "We want to make it easier for someone on the coast to discover the Sahelian countries and for those far from the water to have a few days by the sea."

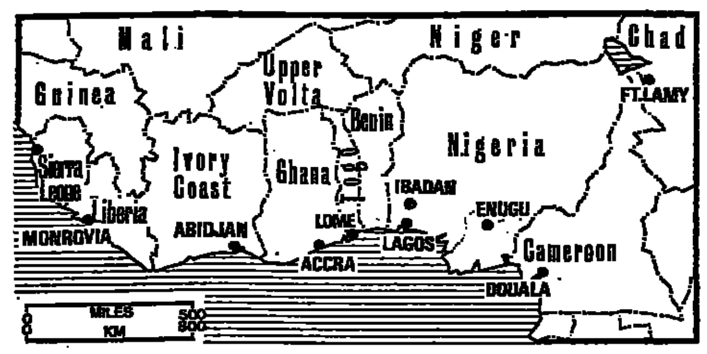
To begin with, PLM will use an aircraft of the Ivory Coast's internal airline, Air Ivoire, which will run between the Nigerian capital, Niamey, and Abidjan, the capital of the Ivory Coast.

Using small aircraft with between 18 to 85 seats, the hotel group hopes to persuade people to use the series of five small bush hotels which have been built in Ivory Coast, Niger, Benin, Togo and Upper Volta by the respective governments.

The small hotels are more or less isolated and some are set in game parks. Although the game is not as abundant as in east Africa, PLM believes that the relatively unspoiled nature of the West African parks will still prove attractive to many visitors.

"There is no question in this venture of trying to compete with East Africa," said M Catharine, who lived for a number of years in Nairobi. "We are trying to get something really new off the ground."

One of the problems the tourist is bound to encounter is the effects of progressive poaching of animals through the game parks. In Upper Volta the situation has become so bad that in four or five years there will be practically no wild life left, according to one expert. "In Upper Volta alone they are estimated to be killing more than 1,000 animals a year. Here in Benin the Government caught 20 poachers last year."



The poachers kill indiscriminately, and leopards and antelopes are rapidly disappearing from the West African scene. Calls for urgent Government action to curb the smugglers' activities have so far gone unanswered.

"Even so, we are convinced that with the wide variety of animals which remain we can attract many people from the cities," said M Catharine.

PLM has 12 hotels throughout the five countries of the Conseil de l'Entente—a friendly political grouping within Francophone West Africa. There are plans to expand in the Congolese capital of Brazzaville, as well as Cotonou, the Benin capital, and in Senegal and Cameroon.

In order to encourage people to move about more easily and to avoid the long hours of delay at the frontiers, the Togolese head of state, President Gnassingbe Eyadema, is trying to encourage the use of a common passport. In the meantime, travellers will have to remain patient.

Italy predicts resurgence in foreign visits

BY JAMES BUXTON IN ROME

ITALIAN TRAVEL agents are predicting this year will be better than 1981 for tourism in Italy. Despite the continuing recession in Italy and in Europe, tour bookings and other signs indicate improvement.

After considerable gloom about a 15 to 20 per cent fall in the number of foreign tourist arrivals through last July, official figures for the first nine months of 1981 show a smaller drop of 8.8 per cent in foreign visitors, compared with the same period of 1980.

Arrivals by foreigners during that period todtalled 14.5m. The number of bed-nights by foreigners fell 10.3 per cent to 84.7m. But the gap was almost completely made up by increased numbers of Italians visiting their own country: the total number of tourist arrivals fell only 1.1 per cent to 42.9m, and bed-nights by 1.7 per cent to 292m.

The figures show that the drop in foreign tourists was less sharp in the June-September peak months, suggesting that the earlier gloom was partly due to the poor winter sports season (affected by lack of snow in the Alps) and slow arrivals in the spring. West Germans are normally the most numerous visitors, followed by Swiss and French.

Italy had a net payments surplus of L5,395bn (£2.34bn) on tourist spending for the first nine months of the year, compared with the 1980 equivalent figure of L4,336bn (an improvement of 24 per cent). The positive tourist spending balance went a long way to offset the payments deficit on trade for *the same period of L9,302bn.*

The drop in tourist arrivals from abroad is attributed to a range of factors including the recession, the fact that Italy is more expensive than some other Mediterranean destinations such as Greece, Yugoslavia and Spain, and that Italy's tourist industry is less well-endowed than that of some other countries with large hotels and cheap inclusive tours.

Big rise in Swiss arms exports

By John Wicks in Zurich

SWISS ARMS exports rose by one-half last year to reach a figure of SwFr 511.5m (£142m). Major markets were Nigeria, with SwFr 149.9m, Federal Germany with SwFr 143.7m and Austria with SwFr 76.1m.

The country's Defence Ministry has stressed that the sudden increase of exports last year represents no change in Government policy on the export of arms, but is due to fluctuations in the completion of orders. The 1981 exports sum is said to fall short of the record figure, while arms deliveries last year amounted to only the 1979 share of 0.97 per cent of total Swiss merchandise exports, compared with more than 1 per cent between 1976 and 1978.

Swiss law forbids the sale of arms in which hostilities are taking place or threaten to take place. The Defence Ministry says that a number of unspecified applications for export permits were turned down last year.

Despite this, a Swiss "working party for armaments control and an arms export ban" has criticised what it calls a massive rise in deliveries abroad of military material. It also claims that Swiss restrictions on the sale of arms to particular countries are avoided by selling arms through foreign subsidiaries.

● Car sales in Switzerland hit *a new peak last year with* Japanese makes, up 23.7 per cent, pacing the trend on what is considered the world's most competitive market, AP reports from Berne. Overall sales totalled 219,418 units, 3.7 per cent more than in 1980, according to a survey released by the Swiss Automobile Importers Association. Volkswagen increased its sales by 3.1 per cent to 33,907.

UK NEWS

Carr, Sebag makes 20 employees redundant

By John Moore

CARR, SEBAG, the City stockbroker, has made more than 20 of its employees redundant. The recent move is part of an extensive reorganisation programme planned by the firm, one of London's biggest broking partnerships.

The redundancies out of its 350 staff are understood to have been made in the group's "back-office" operations.

Last week the firm said it is planning to offer its overseas partners a larger equity stake in W. I. Carr Overseas, the subsidiary which handles the firm's profitable Far Eastern business.

Carr, Sebag, which has been re-evaluating its role in stockbroking for some time, has been in talks with various parties which might help it reduce the cost of its private client business. The firm is considering a joint operation with Brewin Dolphin, a small broking firm with spare back office computer capacity.

Twickenham seat casts Alliance shadow

A DISPUTE over the potentially promising Alliance seat of Twickenham in South West London is threatening to cast a shadow over tomorrow's crucial meeting between Liberal and SDP leaders to consider the re-opening of nation-wide negotiations over seats between the two parties.

Representatives of the two parties will meet in Richmond, Surrey to try to resolve the situation. But, at present both parties are insisting on fighting the seat, where the Liberals came second in 1979.

Representatives of the two parties in Sussex agreed at the weekend to recommend to their members that the Liberals should fight eight of 15 constituencies in the county, and the SDP seven.

At tomorrow's meeting, SDP and Liberal leaders will decide whether enough progress has been made in those areas where negotiations have begun to justify opening talks in the 17 areas where negotiations had not started before the row blew up last month between the Social Democrats and Liberals over seats.

Threat to Tower Hamlets' services

TOWER HAMLETS council, in London's East End, told the Government that it can no longer meet all its statutory social services' obligations.

After discussions with the borough, the Department of Health and Social Security, said "We are now considering what further action, if any, will be taken."

The borough, with a 25 per cent male unemployment and the highest proportion of children in care in the country, had to revise its 1981-82 budget by £3m, to £56m, to avoid being penalised. This year it is being asked to make the maximum 7 per cent cut in spending to come within Government guidelines.

GLC director of architecture

MR PETER JONES, acting director of architecture at the Greater London Council since November 1980 has been confirmed as director of architecture and superintending architect of metropolitan buildings.

New tractor engine development

THE PERKINS Diesel Engine Company is to invest £6m on the development of a new tractor engine which will give a smoother and quieter ride.

New machining and assembly facilities at its factory in Peterborough, Cambridgeshire, will be set up in May. The first engines will come off the production line in November.

ACC board to discuss Ronson bid

BY JOHN MOORE

MR ROBERT Holmes à Court, the Australian entrepreneur, who has taken over the chairmanship of Associated Communications Corporation from Lord Grade and who is bidding £38m for the entertainments group, has called a board meeting for this morning.

The ACC board will discuss the counter offer for the group made on Friday by Mr Gerald Ronson, head of Heron Corporation, one of Britain's largest private companies.

Mr Ronson is offering £46.6m for ACC, subject to the outcome of a legal action which Heron has brought against ACC directors in the courts. A court hearing on the action will take place today.

Heron is seeking to stop Lord Grade's vital voting shareholding of 27.6 per cent passing to Mr Holmes à Court, and prevent other directors from selling out their shares to the Australian.

Other directors holding 36 per cent of the voting equity have given irrevocable undertakings to accept the offer from Mr Holmes à Court's Bell Group.

It emerged yesterday that Mr Ronson had held informal discussions with Burton, the clothing group, last year over a possible acquisition but the talks had not reached an advanced stage.

In Heron's action against Lord Grade and nine other directors, including Mr Holmes à Court, and ACC as a company, Heron is seeking a declaration that any transfer of any ordinary share in ACC in favour of the Bell Group, unless made in conformity with the Articles of Association of ACC and the Broadcasting Act of 1981, "is or will be void and/or voidable and of no effect."

Heron was yesterday studying the next round of its legal campaign with its advisers.

If Heron proceeds with the bid it is its intention to retain Lord Grade's services. Lord Grade would become life president and be asked to provide consultancy services for the group.

Move towards improved accounting rules

BY DUNCAN CAMPBELL-SMITH

THE ACCOUNTANCY profession will today take another important step towards evolving an agreed approach to company accounts which can help the layman understand them in the face of inflation's distorting effects.

Current Cost Accounting (CCA), usually seen as the biggest advance to date, was acknowledged at the time of its introduction—in Statement of Standard Accounting Practice No 16—to have a key limitation in this respect. It enables accounts to reflect specific price changes affecting the company within each year but does nothing to reflect general inflation and make one year's accounts directly comparable with another's.

The Accounting Standards Committee, the profession's internal reform body, is publishing a discussion paper which it hopes will lead to the implementation of supplementary adjustments to this end under SSAP 16.

The paper proposes that where CCA sterling amounts are set out for purposes of comparison between different years, those from the past should be restated in current pounds to offset the changing value of money.

Prior year figures for both the profit and loss statement and the balance sheet would be thus adjusted, as well as the contents of 10-year financial summaries.

The use of specific product cost indices for the adjustment process is rejected as "unsuitable both in theory and in practice." A general index instead is recommended. The Retail Prices Index is suggested as a satisfactory compromise between administrative convenience and the broader base of more sophisticated indices.

Where a company uses only CCA figures, the paper says that company law would probably require prior year figures adjusted in this way to be presented as a third column. Where statutory accounting requirements are met by historical figures, and CCA figures are only supplementary, however, "a two column approach could be adopted."

Several issues have not been finally decided. These include the best way to use the Retail Prices Index or to treat companies with substantial overseas interests. Comments on the paper are requested by May 31.

ASC discussion paper on corresponding amounts and 10-years summaries in Current Cost Accounting. £125. Accounting Standards Committee. Chartered Accountants Hall, Moorgate Place, London EC2.

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Compromise sought on Lloyd's Bill immunity clause

BY JOHN MOORE

LAST MINUTE talks are taking place between a group of Conservative MPs and Lloyd's of London in an effort to find a compromise on the Lloyd's Bill of Parliament, designed to improve the insurance market's self-regulation.

Unless criticisms of the Bill are met it could fail at its third reading in the House of Commons in the next few weeks.

Several Lloyd's members and politicians are opposed to an "immunity" clause in the Bill which protects a new ruling council from legal suits for damages.

Last week Lloyd's officials met the four Conservative MPs who have expressed concern over the Bill. They are Mr Nicholas Lyell (Hemel Hempstead), Viscount Cranbourne (Dorset S), Mr Richard Needham (Chippenham) and Mr Archibald Hamilton (Epsom and Ewell).

The MPs are seeking a way in which Lloyd's can design an immunity clause whereby any of the 16,000 members who do not work in the market can sue for damages if they feel their affairs have been mishandled.

But they seem agreed that the Lloyd's council should be protected from legal action for damages if any of the 4,000 or so members who work in the market decide to go to law.

They agree that Lloyd's should be offered protection against suits for damages mounted by a unit or individual such as a Lloyd's broker or underwriting agent.

Lloyd's has not accepted a compromise solution put up by the members that a judge should decide whether there is a prima facie case for suits for damage action before damage actions can go ahead.

Members have argued that this would be one way to avoid the possibility of vexatious suits.

Lloyd's has argued that a judge is bound to accept that there is a case where there is any doubt and would allow most cases to go to the courts.

ICL in U.S. computer printer deal

BY GUY DE JONQUIERES

ICL and two large U.S. data-processing companies, Control Data and NCR, plan to acquire shares in Centronics, an American manufacturer of computer printers, as part of a deal to rescue Centronics from financial difficulty.

Control Data has agreed to inject $25m (£14m) into Centronics, which plans to issue 4.9m new shares to the other three companies. After the transaction is completed Control Data will own 35.5 per cent of Centronics, and ICL and NCR 4.7 per cent each.

Neither ICL nor NCR will be required to contribute cash. They and Control Data have agreed to transfer the computer printer operations of Computer Peripherals, a U.S. company which they own jointly, to Centronics.

Computer Peripherals printer business represents about two-thirds of the company's total turnover, estimated at about $100m. The company is owned 60 per cent by Control Data. The remaining shares are split equally between ICL and NCR.

The deal will leave production of punched cards and tape as Computer Peripherals' only remaining business.

Centronics reported a $24.5m net loss on a turnover of $123.9m during the year to June 30.

Directors fear 'foisting' of EEC rules

BY MAURICE SAMUELSON

CONCERN expressed by the Institute of Directors about the application of EEC regulations to the running of British companies has been only partly allayed by a long letter from Mrs Margaret Thatcher, the Prime Minister.

In an exchange of correspondence published by the institute today, Mrs Thatcher was replying to Mr Michael Grylls, Tory MP for Surrey North-West, who quoted Trade Department officials as suggesting that EEC companies legislation would be implemented here during the present Parliament not through further UK Companies Acts but by statutory instruments.

The EEC's draft Fifth and Seventh Directives, dealing respectively with workers' control on company boards and consolidation of group accounts, particularly concern the institute.

Mrs Thatcher, referring to the draft Fifth Directive, told Mr Grylls that it was not the Government's policy to accept mandatory provisions on the rights of workers on boards and that it would not carry out "what would amount to a fundamental re-writing of large parts of our company law other than by Act of Parliament."

In negotiations on the Seventh Directive, Britain had secured "significant changes" largely according with UK legislation

IBA orders apology to ex-civil servant

BY MAURICE SAMUELSON

THE INDEPENDENT Broadcasting Authority has upheld a complaint by a former top civil servant that he was unfairly treated in a TV programme about the workings of Whitehall.

As a result an apology is being offered to Sir Antony Part, former Permanent Secretary of the Departments of Trade and Industry, by Central Independent Television, the successor company to ATV which screened the programme last August in its Rule Britannia series.

Sir Antony had given ATV a 40-minute interview, mainly about the Civil Service after being told the programme was intended not to represent a particular point of view.

But when it was screened it took the form of a personal view by the presenter, James Bellini.

Property investment gets cool forecast

By Paul Hannon

RETURNS on direct property investment this year are unlikely to rise, or even match those obtainable from the equity market, Phillips and Drew, the stockbrokers, warn in a report published today.

Phillips and Drew forecasts that investment yields for prime property will remain firm given combination of strong institutional demand for and the present lack of supply of quality properties.

"In the last three years, property yields have been remarkably static by comparison with volatile equity and gilt yields," the stockbrokers say. "This is mainly due to institutional demand.

"Although the money value of funds committed to property by institutions has risen, it fell steadily as a percentage of cash flow between 1974 and 1979."

The ratio improved in 1980 to 15.8 per cent, presumably, Phillips and Drew suggests as a response to the increased supply brought on by fear of the effects of the recession.

The stockbrokers forecast that institutional investors will place £2bn, for 14.2 per cent of cash flow, in property this year compared with an estimated £1.8bn (14.1 per cent) in 1981.

Property Prospects for 1982, Phillips and Drew, Lee House, London Wall, EC2.

Bank lending surge 'has aided industry more than thought'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE RECENT surge in bank lending has had a much greater impact on industrial investment and on improvements in productivity than was generally thought, said L. Messel and Co. stockbrokers, in a study published at the weekend.

The The paper by Mr Tim Congdon said Bank of England statistics gave a misleading impression of the extent of lending to the personal and services sectors compared with lending to manufacturers.

This was because services as defined by the banks included leasing companies, which had accounted for an increasing proportion of capital equipment used by industry. Mr Congdon said "Over the past three years leasing has exploded as companies become aware of

He said the superficial impression given by the figures that lending to service industries had expanded much more rapidly than to manufacturing was "highly misleading."

With such a significant part of total new borrowing being performed via leasing, which normally involved purchase of capital goods, it was quite clear that buoyant bank lending had been instrumental in maintaining high investment.

Total capital expenditure by UK industry in the three years 1979-81 was 23 per cent higher than in the previous three years. This appeared to have resulted in a jump in industry's productivity. High bank lending in the recession had been an important contributor to this process, he thought.

In a separate circular to its clients Messel suggested a cautious view of the lowering of interest rates last week by the Bank of England and the West German Bundesbank.

Messel said that although interest rates in Europe might continue to fall for the next two or three months, a further decline in sterling interest rates must remain partly dependent on U.S. monetary developments.

This caution about interest rates was echoed in a special article on the longer-term trend of bond rates in this month's International Bond and Currency Review, published by James Capel & Co, stockbrokers.

This said that in real terms the average yield on bonds around the world was now 4½ per cent, a level not reached since before the Second World War.

The article, by Mr James Church, said high real yields were likely to continue for some time, in spite of difficulties governments would face in paying high rates on their debt and of the generally depressing influence of high rates on industry.

He said the pattern of rates in this decade was unlikely to be similar to that of its predecessors. This was because the public had lost confidence that governments could conquer inflation and because politicians had shed responsibility for rises in interest rates.

● Mr Gavyn Davies, senior economic consultant to Simon & Coates, stockbrokers, said in its Economics Analyst this month that the spring Budget represents the last chance for the Government to undertake any fundamental change of strategy.

Engineering groups blame public sector for costs

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

REPRESENTATIVES of the engineering industry are telling the Government it should act to prevent the public sector covering up its "inefficiencies" by passing on extra payroll costs to the private sector through higher charges.

The Council of Mechanical and Metal Trades Associations, which co-ordinates the views of trade associations in mechanical engineering and metal trades, says in its Budget submission today that many public sector bodies have met financial targets mainly by raising charges instead of reducing payrolls or increasing efficiency.

The council says that employment in its industries fell by 18 per cent in the two years to June 1981, but by only 2 per cent in the public sector. The increase in total expenditure on pay in the same period was 8 per cent and 42 per cent respectively.

Almost all public sector charges, it says, have risen steeply since 1979.

In some cases, such as energy prices, there may have been good reason, but in others, such as telecommunications and steel, there have been technological and economic developments which ought to have cut prices.

It claims that effects of increased charges have been greater than the officially announced percentage rises. Telecommunications charges were reported as rising by about 7 per cent, but the combined effect of higher unit charges and reduced time per charge unit "may raise an industrial customer's costs by some 30 or 40 per cent."

The council was formed to represent the industry's view on EEC matters, but it decided to extend its representation to domestic issues.

The Engineering Employers' Federation will also voice concern on public-sector charges in its Budget representations to the Chancellor.

Social policy 'has failed'

BY DAVID MARSH

MOST PUBLIC spending on social services in Britain favours the better off, according to a new study by Mr Julian Le Grand, lecturer at the London School of Economics.

In his book The Strategy of Equality he says the desire to help the worse off had been one of the main reasons for the enormous expansion of public spending over the last 30 years.

Yet in four crucial areas examined—health care, education, housing and transport—public spending worked in the opposite direction by favouring the higher social classes.

Mr Le Grand says the strategy of promoting equality through social spending had failed. Attempts to bring about better balance between social groups would have to be made through more direct methods of income redistribution such as taxation.

The experience of other countries such as the U.S. and West Germany suggested that greater equality of income, wealth and earnings did not necessarily harm either economic growth or liberty.

In some cases equality would be promoted if there were no public expenditure on the service concerned and if the resultant savings were used to raise all incomes equally.

The Strategy of Equality by Julian Le Grand; George Allen and Unwin: Hardback £13.50, paperback £4.95.

Domestic rates lower in Labour shires

By Robin Pauley

RATE BILLS for domestic householders in England are on average more than £38 a year cheaper in the 13 Labour-controlled shire counties than in 24 Conservative-controlled counties.

An analysis by Mr Jack Straw, Labour MP for Blackburn and an opposition Treasury spokesman, shows that of the ten shire counties with the highest rate payments nine are Conservative. They are led by Hertfordshire (£5.84 a week), Buckinghamshire (£5.90) and Surrey (£5.79).

They are followed by Berkshire, Bedfordshire, Essex, Warwickshire, East Sussex and Oxfordshire before the first Labour county, Cheshire, appears at £4.79.

Of the ten shire counties with the lowest rate payments five are Labour — Derbyshire (£3.49), Durham (£3.35), Nottinghamshire (£3.34), Cumbria £3.32) and Humberside (£2.02).

Four are Tory — Norfolk (£3.47), Devon (also £3.47), Lincolnshire (3.34) and North Yorkshire (£3.31). The lowest of all, Cornwall (£2.99 a week) is controlled by Independents.

The figures take account of supplementary rates levied in the year. But they are the combined county and district rate bills, which ratepayers have to pay in one combined bill.

In some Tory counties there are Labour districts and vice versa so it is difficult to make absolute political comparisons.

The shire counties account for about 87 per cent of the total rate and grant borne spending in their areas, while the districts account for the remaining 13 per cent.

Total rate payments in metropolitan county areas are usually higher than in shire areas. Yet the highest average payment of the metropolitan counties — £5.56 in the West Midlands — is 38p below Hertfordshire.

The average rate payment in South Yorkshire at £4.43 is 8p below the average for the Conservative shire counties.

Mr Straw says: "These figures nail the lie, so often insinuated by Conservative ministers, that it is Labour counties which impose intolerable burdens on their ratepayers. But it is the Government.

"The burden of taxation for the average family has risen by £23.54 per week since the election, nearly 12 times the increase in the average family's rate payments over the same period."

● Leading industrialists in Avon have written to county councillors urging them to think before approving a big increase in rates.

The letters are part of a growing campaign to stop the county rates rising by 41 per cent in a year.

The industrialists say this can only be met by condemning to the dole queues many people employed in industry and commerce.

The letter is signed by the heads of five of Avon's biggest companies — Imperial Tobacco, DRG, Mardon, Packaging, Stothert and Pitt, and Harveys. If the latest proposal goes ahead the five will have to pay nearly another £1m on top of the £3m they are already paying.

Mr John Mostyn, a director of Harvey's, said: "There is no way employers can sit back and allow Avon County Council to ride rough-shod over the community's business interests and thus permit so many employees' jobs to be put in jeopardy.

"When coupled with October's supplementary rate, this latest demand will result in the county having one of the fastest rising precepts in the country.

London Transport seeks delicate balance of quality, quantity and cost

Sir Peter Masefield, chairman and chief executive of London Transport, clarifies the financial issues and objectives behind the operation of public transport services in the capital.

❝London, and other major cities, can of course have as much, or as little, public transport as the community is willing to pay for in fares or in subsidy, or in a combination of both, while requiring "value for money."

Six variables have to be balanced to achieve whatever objectives are sought — and the present difficulties are, I fear, because these variables and these objectives have not been sufficiently defined or understood. The variables are: level of fares; traffic demand at those fares; level of services to meet the demand; the cost of providing those services, including essential capital investment; commercial revenue earned; and subsidy required to meet any gap between costs and commercial revenue.

As in any business, one of the most crucial factors is the level of prices charged and the ability to sell the product, and to prosper, at those prices.

Two conflicting requirements are stated in the Transport (London) Act 1969 which, clearly, was itself not sufficiently thought through when it was drafted. The first, (Section 5), is an obligation set upon London Transport, "with due regard for efficiency, economy and safety of operation, to provide — or secure the provision of — such public passenger transport services as best meets the needs for the time being of London". The second, (Section 7, to be taken with the foregoing), is that London Transport should "ensure so far as practicable" that it is not in deficit at the end of each accounting period.

After the Law Lords' judgments, among the implications now being read into the Act is that London Transport must set its fares so as to do everything possible to break-even regardless of subsidy.

Axiomatically the higher the fares the less subsidy will be required but the less traffic there will be, because many people will not be able to afford to travel.

Consider the two extremes. Fares set so high that no-one can afford to travel, hence there are no services, no subsidy—and none of London's needs are met. The opposite is — free travel, maximum demand, maximum services, 100 per cent subsidy — and no endeavour to break-even.

Between those two extremes there is a need for subsidy in urban transport, however cost-effective the organisation. At some point, with very high fares and very thin services ("picking the eyes out of the carcass"), a profit could be earned but at an almost complete sacrifice of the objective of providing a public service. As fares are reduced, and as services are increased to meet demand, so subsidy will also have to be increased.

Clearly both extremes fail to meet the intentions of the Act. Equally clearly, the object must be to meet the needs of London at "a reasonable level of service at reasonable fares," both designed to satisfy "a reasonable traffic demand." But what is "reasonable?"

Experience has shown that, compared with present fares, traffic would increase relatively slowly with further reductions in fares. Likewise traffic will decline seriously but not in ratio to an increase in fares. On London's buses, for instance, the 32 per cent reduction in fares on October 4 produced a 12 per cent increase in passenger miles and thus a 20 per cent fall in revenue.

A 100 per cent increase in fares is now forecast to be likely to produce a 20 per cent reduction in traffic and a 55 per cent increase in revenue. On present evidence an increase in fares of 200 per cent (to three times today's level) would cut bus travel by about 45 per cent and increase revenue by about 65 per cent.

Our experience in London Transport shows that a 100 per cent increase in bus fares, accompanied by the necessary reduction in the level of service to equate to the reduced traffic demand, will make possible an eventual reduction in costs of about £50m per annum—a reduction of about 12½ per cent.

Such a result will take several years fully to achieve. An increase of 300 per cent in fares would eventually reduce costs by about £125m per annum (or 30 per cent) for about half the present level of service.

These examples illustrate the range of choices which exist. Given time to make adjustments, each is feasible. But views on what is reasonable will vary widely and are bound up with the amount of subsidy which the community is willing to make available. The choice of the financial framework is essentially for political judgment.

Against that background the need for both "reasonableness" and a clear management remit should, in my view, be met by a suitable formula to link the degrees of subsidy and of income from fares.

A position half way between the two extremes of high fares and no traffic, or of no fares and maximum traffic, might be seen as a "reasonable" compromise towards the meeting of London's needs for public transport.

If that were agreed, then I suggest that the pound for pound solution to provide both revenue and capital requirements (£1 of subsidy for £1 of commercial revenue from fares) might well be considered as a simple "rule of thumb" answer, subject also to doing a little better than breaking-even so as to build up a modest reserve against unforeseen circumstances.

With such a framework, fares could be kept to a level which might be regarded as "reasonable" at, also, a reasonable level of service.

There can be no dogma on such a matter. Analysis shows, however, that a "£1 for £1" balance for bus services would be reached at fares some 20 per cent above those in force today.

If we take the present levels of fares, passenger miles, bus miles, costs and subsidy required in each case as "100," then the result of such a policy would be: fares 120 (up 20 per cent), passenger miles 94, bus miles 86, revenue 113, costs 90 and subsidy required 70 (a reduction of 30 per cent).

In real terms a contract to provide 86 per cent of today's level of bus services (bus miles reduced from 175m to 150m) at 20 per cent above today's fares, would result in total costs of about £350m (at £2.33 a bus-mile) against commercial revenue of about £195m.

The deficit on bus services would then by £155m in a full year. At £1 for £1, the revenue and capital support would be £195m and the total revenue £390m (at a contract subsidy of £1.30 a bus mile).

That would leave £40m available for necessary depreciation and renewals of capital assets, investment in updating the system and as a contribution to a general reserve.

I quote these examples for the bus side of London Transport's activities. The same basic formula would apply to the Underground.

Whatever choice is made on financing, the task of management remains that of providing the best possible service—the best mix of quality, quantity and price—while remaining within prescribed financial limits.

Those are the objectives towards which we in London Transport ought to be working against clear policy decisions.

In the circumstances of public transport today, including its special social obligations, those objectives inevitably—if unfortunately—have to differ from the more normal business objectives of achieving a reasonable financial return on investment. Our investment, in this sense, is in "meeting the needs of London."

As I have said, London can have the level of service it is prepared to pay for assuming, of course, efficient operations! Whatever is decided, there is a need for stability in the running of a public passenger transport service so that plans can be soundly implemented upon clear policies and without constant changes.❞

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UK NEWS

Low morale test for Leyland Vehicles

Nick Garnett looks at problems facing 12,000 workers in dispute at traditionally peaceful BL plants

EXECUTIVES at BL start this week wondering whether they are facing another major test of will with unions.

This time the problem is not in the Cars group, but in the traditional commercial vehicles heartland of Leyland, out of which half the company's name is derived.

Some 12,000 workers are on strike at Leyland Vehicles' Lancashire plants, Leyland and Chorley, together with about 2,600 at Bathgate, Lothian. This excludes the 850 workers accepted by the company for redundancy.

Two immediate reasons for the strike, which had very strong support at mass meetings, are clear:

The company's corporate plan for Leyland Vehicles involves plant and product rationalisation with the loss of 1,855 jobs at Leyland, 1,365 at Bathgate and 880 elsewhere.

The workers, at least at Leyland, want the opposite—investment, expansion and a six-month deferment of the scheme.

The philosophy of British Leyland in the 1960s and 1970s, when profit centres such as Leyland Vehicles supported the money-losers, cannot now be used to extract extra help in reverse.

Within the limits of BL's funds each of its companies has to stand on its own. Leyland Vehicles lost £47m in the first half of last year. A substantial though probably smaller loss is expected for the second half.

There appear three general factors influencing the workforce—morale; the depth of feeling among workers surrounding the whole carefully built mythology of Leyland as one of the world's great truck- and bus-makers; and the pressures of the economic climate.

● First, the old BL "disease" of labour unrest seems to have been replaced by another illness in some operations, low morale.

It has been seen on occasion *in the Cars group. The feeling* of disillusion with the whole business permeates the picket lines at Leyland.

It might be an even stronger feature at Bathgate, though a further 150 applications have been made at the Scottish plant for redundancies on top of the 850 already accepted, largely *in* the tractor plant, which is closing.

This could weaken ability of stewards at Bathgate to maintain the dispute with the company. Two pay settlements of 5 per cent and one of 3.8 per cent and agreement to change working practices, might well *have been necessary at Leyland* Vehicles, as in the Cars division, but there is a very strong feeling by Leyland workers that they have bent over backwards to help the company.

The shop stewards have been recommending the relatively low pay settlement and new agreements on building trucks. There is almost total flexibility between trades of cab assembly at Leyland.

"There have been tremendous sacrifices in terms of conditions and wages," says Mr Mick Coyne, the new Left-wing convenor.

"We've taken all this but now they want more from us and we don't know where it is all going to end," said a picket from the Association of Scientific, Technical and Managerial Staff.

The company recognises the support it has been given by the workforce in the past few years in accepting difficult decisions, but sees no alternative to shrinking further and asking more from its workers.

● Second, the great tradition of Leyland Vehicles as a truck and bus manufacturer is now, in the view of the shopfloor, at variance with the corporate *plan.*

This powerful feeling of pride in the past must be stronger at Leyland, the Ribble Valley town where the company has made commercial vehicles since 1907, than at Bathgate.

You hear it all through the picket lines. "Remember the Octobus? The fastest wagon on the road when it was built," says one worker.

"I remember when they got all the long-serving men together to give their gold watches at Blackpool Tower," says another.

"The Roadtrain is the best truck we've made, but we don't know what they're trying to do with this place. There's something up, I'll tell you."

● Pressure of collapsed home demand and tighter cash margins abroad forced BL into a much closer overlook of Leyland Vehicles.

The logic of that was to see which plants were best suited to making which components and vehicles, which engines had not enough volume to support manufacture and development, and what collaborative deals with other manufacturers could be struck.

For Leyland that means ending the 400 series engine and the TL12, leaving it to produce the TL11 but end truck engine and assembly of most vehicles market.

The company says that 70 per cent of its vehicles will still have Leyland engines and the 400 series be largely replaced by Bathgate-made 98 series power plants, and some probably from International Harvester.

The TL12 will be replaced by one almost certainly from Cummins or Rolls-Royce.

"Our intention is to save Leyland because we live here," *says Mr Coyne.* "*We want to* change the policy to support manufacturing." But that policy demands money which Leyland Vehicles does not have.

Those feelings, which may be a kind of cry for help and with which many Leyland Vehicles managers profess not to be unsympathetic, merge with the problems of a local community, stretching out to Bolton, Preston and further afield, in which Leyland Vehicles is one of the biggest employers.

Clearers face criticism over money transmission

BY WILLIAM HALL, BANKING CORRESPONDENT

THE London clearing banks' traditional domination of the UK's money transmission system is likely to come under attack at the first meeting of the new Money Transmission Consultative Committee today.

The committee, headed by Mr John Brooks, Midland Bank's deputy chief executive, has been established following criticism over the years that the London clearers have too big a say in how Britain's money transmission services develop.

The subject has taken on considerable importance following the clearers' announcement that they intend to develop a national network to handle electronic point of sale transactions, allowing shoppers to pay for goods with a plastic card rather than cash or cheques.

Unlike the present system of paying by credit cards, which generates a great deal of paperwork, the new system will use electronic terminals which will debit customers' bank accounts directly.

At one stage the clearers had envisaged a large, centralised system controlled by them. This would have cost hundreds of millions of pounds and made the banks especially attractive to a government intent on nationalising them.

This idea and a pilot scheme in Southampton, have been dropped in favour of a "totally distributed system." Common standards will be set for the national network. This will not be dominated totally by the clearing banks and new entrants into the money transmission system will probably be allowed.

This will significantly increase competition in the money transmission services, at present 90 per cent controlled by the clearers. They have accepted that something as important as developments in electronic funds transfer cannot be left entirely to them.

The committee has been formed to give other financial institutions a chance to air their grievances and aspirations in money transmission services.

Apart from the London clearers, representatives of Scottish and Northern Irish clearing banks, Trustee Savings Banks, National Giro Bank, American banks, accepting houses and British overseas banks will sit on the committee.

The Bank of England will also be represented and the British Bankers' Association is understood to be sending an observer.

It remains to be seen whether the committee will be widened to take in institutions such as building societies, retailers and equipment manufacturers.

CTSB funds Eurocredit

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

THE Central Trustee Savings Bank has surprised international bankers by emerging as a provider of funds to borrowers in the Eurocredit market.

Its new role came to light over the weekend with news that the bank is putting up a \$5m (£2.67m) participation for a \$400m (£213.56m) credit for Argentina's state-owned oil concern, Yacimientos Petroliferos.

Mr E. D. Morton, head of the bank's corporate lending business, said that the bank has taken stakes in credits to a Brazilian and an Italian borrower.

Such participations are considered adventurous by many Euromarket bankers as they are lucrative but do not necessarily represent the best risks available.

Mr Morton said the Eurocredit business was a natural extension of the foreign business, such as documentary credits, which the CTSB conducts on behalf of regional trustee savings banks. It would probably commit a total of about £50m equivalent to the market during the next 12 to 18 months.

Weather causes rise in FT shopping basket index

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index has risen sharply in January as a result of the severe wintry weather hitting supplies of fresh produce.

The January index, based on information collected from stores throughout the UK, stood at 144.81. In December the index stood at 141.24.

The increase was the highest monthly rise in the index for more than a year.

Dairy produce, fresh meat, and fresh fruit and vegetables were the three main sections of the shopping basket which recorded the highest increase in cost.

The cost of dairy produce—including milk, eggs and cheese—went up in total from £706.81 in December to £724.64 this month. Meat cost £641.32 this month in total, compared with £622.16 last month. Fresh fruit and vegetables rose from £287.33 in December to £311.06 in January.

Continuous frosts, heavy snow and flooding have ruined many winter crops. In addition, the weather has prevented widespread distribution of fresh produce.

Other sections of the basket, such as canned foods and dry groceries, showed little change in cost this month.

The FT Grocery Prices Index is based on data collected each month by 38 shoppers who monitor a list of more than 100 grocery items in the same shops each month. The stores, spread throughout the UK, range from superstores to small village grocers.

The index, however, is meant only as a guide to trends in food prices. It should not be taken as an absolute indicator of price levels.

The Financial Times Grocery Prices Index is copyright and may not be reproduced or used in any form without consent.

All inquiries should be made to Lucinda Wetherall at the Financial Times.

FINANCIAL TIMES SHOPPING BASKET
JANUARY, 1982

	January £	December £
Dairy produce	724.64	706.81
Sugar, coffee, tea and soft drinks	211.90	209.31
Bread, flour and cereals	318.22	316.57
Preserves and dry groceries	114.64	113.68
Sauces and pickles	55.82	55.21
Canned foods	199.16	198.57
Frozen foods	253.05	248.45
Meat, bacon, etc. (fresh)	641.32	622.16
Fruit and vegetables	311.06	287.33
Non-foods	249.03	244.58
TOTAL	3,078.85	3,002.87

1981: January 138.94; February 131.75; March 132.75; April 134.93; May 136.30; June 137.37; July 136.62; August 135.50; September 136.60; October 137.49; November 140.51; December 141.24.
1982: January 144.81.

APPOINTMENTS

Changes at Thorn EMI

Mr J. A. Sibley is to devote his time fully as chairman of the THORN EMI video software produce group and relinquishes his position as director of administration and company secretary. Mr Sibley continues as a director of Thorn EMI, Thorn Ericsson Telecommunications and Thames Television. Mr Robin Charlton, director and secretary of Ransome Hoffmann Pollard, joins the company on March 1 as company secretary.

★

Dr Ralph Rickards has been appointed a director of INFORMATION TRANSFER, Cambridge.

★

Mr Tom Spice has retired from his position of chief executive of J. FRANKEL (ALUMINUM). He remains a director in a non-executive capacity.

★

Mr Peter Withers has been appointed a director of UNILIFE ASSURANCE SERVICES. He was UK manager of the company, a *subsidiary of Unilife* Assurance (Overseas).

★

Mr Brian Marcel has been appointed managing director of PHOTOGRAPHIC SCIENCES.

★

Mr Peter Jones, who has been acting director of architecture at the GREATER LONDON COUNCIL since November 1, 1980, has been confirmed in his post. He now becomes director of architecture and superintending architect of metropolitan buildings.

★

Mr Terence W. Donovan, until recently financial director, has been appointed managing director of RAYMOND INTERNATIONAL (UK), Twickenham, and assistant regional general manager for Europe, Africa and the Middle East. His predecessor, Mr John Browning, has returned to the U.S. to take over direction of one of Raymond's American divisions. Mr Gregory Papayoti, vice-president of Raymond International Builders Inc., has been appointed regional general manager for Europe, Africa and the Middle East.

★

Mr J. E. W. Hall has been appointed deputy chairman of the Gossard branded foundation wear operations in the UK, Germany and South Africa, and joint managing director of GOSSARD.

★

DELSON AND CO. a subsidiary of McKechnie Brothers, has appointed Mr Roger Barraclough as administrative director of the Delson Companies.

★

Subject to the approval of the Stock Exchange, FIELDING NEWSON-SMITH AND CO., stockbrokers, is dissolving its partnership with Mr K. M. Feeny, who will be leaving the firm on July 31 when he will be taking up an appointment with W. GREENWELL AND CO., stockbrokers.

★

AUTOGLASS, windscreen replacement specialist, has appointed Mr Ian Campbell as sales and marketing director. The company is part of the Royal Doulton Group.

★

Mr T. F. E. Lane has been *appointed managing director of* AM INTERNATIONAL multigraphics division based in the UK. This is the parent company's largest subsidiary outside the U.S.

★

Mr Joe Frazer, until recently marketing director of Tempo Computer Services, part of AGB Group, has joined the board of the ENTERPRISE SYSTEMS GROUP to head the Adnet division.

★

Mr D. A. Garbutt has been appointed project director for SILICON ORGANICS, new subsidiary of Croda Synthetic Chemicals.

★

BRITISH RAIL has appointed Mr Colin Driver as deputy general manager, Eastern Region, York. He was formerly chief passenger manager and replaces Mr Bryan Driver who is now managing director of Freightliners.

★

The Earl of Aylesford has been appointed a regional director of the Birmingham and West Midlands regional board of LLOYDS BANK. Lord Aylesford is Lord Lieutenant of West Midlands.

★

The Trade Secretary has reappointed Mr Michael Montague as a member and chairman of the ENGLISH TOURIST BOARD for a further three years from March 1.

Mr Richard Mills has been appointed as a new member of the board from January 1 for three years. Also reappointed are Miss Elizabeth Brunner and Sir Frank Price from October 1 1981.

★

Sir David Nicolson has joined the board of SELINCOURT as a non-executive director.

★

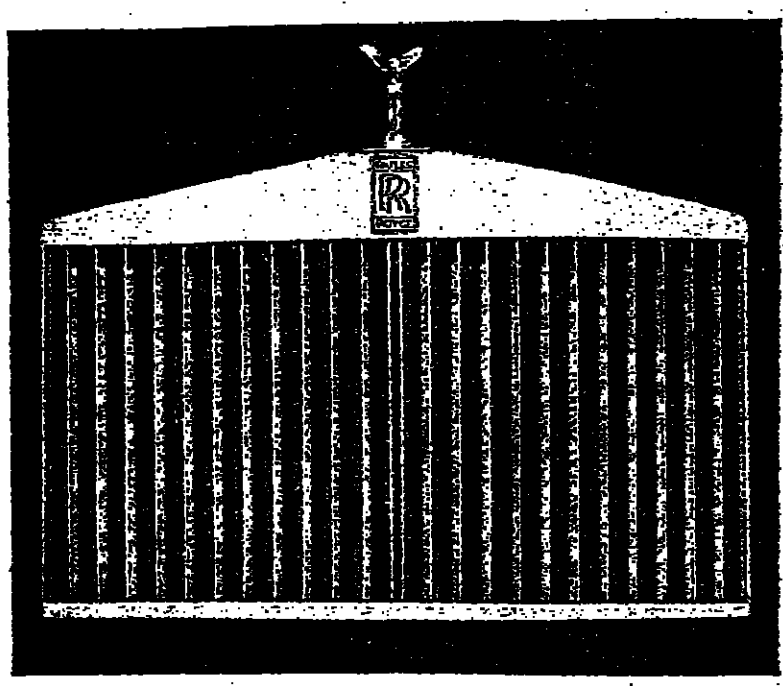
Mr J. O. Hitchcock has *resigned as a director of* ENGELHARD INDUSTRIES.

★

Mr Alan Squires has been appointed managing director of ASSOCIATED TRAPINEX.

★

SACCONE AND SPEED has appointed Mr J. G. P. Jephcott, as marketing director.



Vladimir Ilyich Lenin
Guglielmo Marconi
George Bernard Shaw
Elvis Presley
David Lloyd George
Sir Edwin Lutyens
Sir Banister Fletcher
Prince Chula Birabongse of Siam
Gracie Fields
Sir Billy Butlin
H.M. The King of Serbia
Henry Curtis-Bennet K.C.
Douglas Fairbanks
Pierre Michelin
Howard Hawks
Sir Frederick Henry Royce
Ernest Hemingway
Claude Johnson
Hugh Trevor-Roper
Vladimir Horowitz
Mae West
Baron Edouard de Rothschild
The Nizam of Hyderabad
W.R. Vanderbilt
The Maharajah of Mysore
Sir Jesse Boot
J. Arthur Rank
Lord Kitchener
Tommy Sopwith
H.M. King Carol of Rumania
Lord Beaverbrook
Sir Malcolm Campbell
J. Pierpont Morgan
Roberto Rosselini
The Marquis of Crewe
H.I.M. Haile Selassie
The Maharajah of Cooch Behar
The People's Republic of China
(Unknown purchaser)
General Franco
Gary Cooper
The Third Duke of Westminster
Nubar Gulbenkian
Alfred Bird
Sir John French
Lord Fisher
The Marquis of Exeter
Lord Birkenhead
Lord Baden-Powell
Edgar Wallace
W.D. Wills
R. D'Oyly Carte
The Maharajah of Patiala
Jack Warner
Jack L. Warner
S. Gestetner
Pola Negri
Sax Rohmer
Sir Terence Rattigan
R.C. Sherriff
Cary Grant
W. Somerset Maugham
Peter Sellers
Marshal Tito
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President Woodrow Wilson
Marie, Dowager Empress of Russia

For seventy-eight years Rolls-Royce motor cars have been owned by the men and women who shape history.

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This list represents just a few of the great names who have owned Rolls-Royce motor cars. Subsequent advertisements will include many more. If you know of someone who you feel deserves to be included in such a list, do not hesitate to contact Rolls-Royce Motors.

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UK NEWS—LABOUR

1,000 ready to leave BL Bathgate

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

ABOUT 1,000 workers at British Leyland's Bathgate plant near Edinburgh have volunteered for redundancy in the face of extensive restructuring by the company, according to Leyland officials.

British Leyland's reorganisation calls for the loss of 4,100 jobs among its 22,000 bus and truck workforce and 1,365 of these jobs are to go from Bathgate.

At the weekend, shop stewards called a strike and sit-in at Bathgate, joining strikers at Leyland and Chorley in Lancashire.

According to company officials, virtually the entire 850 workforce involved in tractor production had volunteered for redundancy to take advantage of enhanced severance payments of about £5,500 offered by the company.

The strikers are also preventing the removal of 100 finished tractors which have already been sold to customers in the UK and Scandinavia.

But the sit-in was also designed to protest against plans not to replace production of trucks in the 3½-to-20-tonne range at Bathgate and concentrate on production there of two large models for the export market only.

Under company plans, Bathgate is to produce the 9-12-tonne Landmaster and the 19-65-tonne Landtrain series in future.

But Mr Jim Swan, convenor of shop stewards, said yesterday that they feared that, as other countries built up assembly operation, Bathgate operation would be confined to exporting only kits and assembly would be threatened.

Yesterday, Mr Swan met fellow strikers behind the locked gates of the Bathgate plant to plan more practical aspects of their sit-in, such as security and occupation rotas.

Mr Swan said he was not interested in the workers who had volunteered for redundancy pay. "They can go. We are interested only in those who want to work," he said.

Company officials said the strike action would worsen British Leyland's losses of £2m per week over the past six months. Truck sales had gone down from 80,000 in 1979 to a present annual level of 40,000.

Bathgate fits into the restructuring plan to put high volume production in specific centres. The Scottish plant is to concentrate on the manufacture of engines, specifically the 98 series of motor.

Officials insisted there were no plans, as feared by the workforce, of abandoning truck production at Bathgate because 60 per cent of Leyland products were exported.

Some trucks would eventually be exported in kit form but there would always be the need for assembly, an official added.

Philip Bassett writes: Shop stewards at Leyland Vehicles' Lancashire plants last night expected no further moves from the company towards a resolution of the strike at Leyland and Chorley over company reorganisation.

They thought that talks might be held with local management on running down the plants and safety and maintenance work.

Shop stewards do not expect the Lancashire strikes to spread to the Leyland Vehicles heavy truck assembly plant in Wolverhampton.

Welsh lorry drivers turn down 8%

BY OUR LABOUR STAFF

LORRY DRIVERS in Wales have rejected a pay offer worth 8 per cent. Union leaders are talking of industrial action, although drivers in other areas are settling for deals at or less than the Welsh offer.

Mr Geoff Jacob, Transport and General Workers Union area negotiator, warned that if further talks failed, there would "inevitably" be a strike in South Wales, which might spread to other areas.

The offer would take the drivers' basic rate to about £85. The pay deal for South East drivers takes their basic rate to £87. Mr Jack Ashwell, TGWU road haulage national secretary, said this would be the target for further Welsh negotiations.

● The Government was warned yesterday not to push Britain's 500,000 nurses and midwives "over the brink" into industrial action.

About 4,00 nurses marched through London to a rally in Trafalgar Square in protest at their pay levels.

Nurses' leaders are due tomorrow to make a claim for rises in line with the current inflation rate. But they fear the Government may try to enforce its cash limit pay provision of 4 per cent.

Mrs June Clark, chairman of the moderate Royal College of Nursing's representative body, told the rally: "If this Government pushes nurses over the brink into industrial action, the price to be paid will be far greater than giving the nurses 12 per cent."

Nurses' pay is due to be put on a different footing next year by a formula designed to keep them out of the wage round and protect their pay against inflation.

Bifu rejects 6.75% offer

By Brian Groom

THE Banking, Insurance and Finance Union has rejected a 6.75 per cent pay offer from Standard Chartered Bank, following a 7 per cent offer from Barclays Bank International.

Negotiations in these two banks are particularly important this year because Bifu intends to make early use of unilateral arbitration arrangements there if satisfactory negotiated settlements cannot be reached.

Bifu believes a favourable arbitration could influence the key clearing bank pay talks.

Sogat seeks talks on Odhams closure

BY ALAN PIKE

UNION leaders will today launch an attempt to save Odhams Press. Its gravure plant at Watford, Herts, is scheduled to close on April 30 with the loss of 1,900 jobs.

Mr Bill Keys, general secretary of the Society of Graphical and Allied Trades, wrote to the company—part of Reed International — at the weekend seeking urgent talks following the announcement on Friday that Odhams is to close.

The company made its decision to close after failing to reach agreement with the National Graphical Association on a job reduction package.

However, the NGA says that it did come to agreement on changes involving the loss of 371 jobs on Wednesday. It accuses the company of subsequently changing its position.

Mr Keys —whose union is likely to be joined in the approach to the company by the National Society of Operative Printers, Graphical and Media Personnel, which has the most members at Odhams —said yesterday that he believed it might be possible to rescue the plant.

The drive to do so is made still more urgent by the fact that the print unions are also engaged in discussions on economies at another Watford-based gravure plant, the BPC-owned Sun Printers.

Mr Keys said that after the Second World War, Watford was the third biggest printing centre in Europe, while it was now in danger of becoming a graveyard."

The unions were told last September that April was scheduled as the likely closure date for Odhams unless economies leading to an improvement in its financial position could be achieved.

Gravure is one of the sections of the British printing industry which has been under the greatest pressure in recent years.

An increasing number of orders have been lost to overseas competitors, while technological developments have brought mounting competition from alternative colour processes such as litho and web offset.

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TELEVISION

BBC 1

9.05 am For Schools, Colleges. 10.10 You And Me. 10.15-12.00 pm For Schools, Colleges. 12.30 News After Noon. 1.00 Pebble Mill At One. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.00 Delia Smith's Cookery Course. 3.25 See Hear! 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
6.00 Nationwide (London and South-East only).
6.25 Nationwide.
6.55 Doctor Who, starring Peter Davison.
7.20 The Rockford Files, starring James Garner.
8.10 Panorama.
9.00 News.
9.25 Last of the Summer Wine, starring Bill Owen, Peter Sallis and Brian Wilde.
9.55 Police: A look inside Thames Valley Constabulary (Pop Festival).
10.40 Film 82.
11.10 Big Jim and the Figaro Club, starring Norman Rossington and Roland Curram.
11.38 News Headlines.
11.40 Speak For Yourself (Help in the use of effective English).

Chris Dunkley: Tonight's Choice

In the early part of the evening the best programmes are all on Radio 4. "The Monday Play" is a repeat of the much praised Variation On The Snow Queen by Valerie Windsor which won the Pye Best Radio Play award two years ago. It explores the troubled mind of Katherine Anson, was recorded on location in a hospital, and is broadcast "binaurally." Listen on stereo headphones if you possibly can.

It is followed by Anne Winder's programme about Britain's most famous play script publishers French's Without Tears with Chris Kelly reporting on the spot. And that is followed by the ever fresh Kaleidoscope

Switch quickly to BBC 1 at the end and you will miss only minutes of Episode 4 of Police which gained notoriety last week with rape and today is concerned with the Reading pop festival. Police attitudes here towards cannabis are in interesting contrast to their earlier attitudes towards alcohol.

West Country Tales on BBC 2 have established a high place in my estimation over the years for intelligent and original use of film, often on beautiful locations. Tonight's work, "The Sabbatical," is a dramatisation of a story submitted by a viewer.

BBC 2

10.10 am Managing the Micro.
10.35 Speak For Yourself.
11.00 Play School.
11.25 Play It Safe!
11.35 Write Away.
2.00 pm A Child's Place.
2.25 Maths Help.
2.40 Other People's Lives.
3.05 The Computer Programme.
3.30 The Peter Principle.
†3.55 Star Movie: "Ruthless."
5.40 Undersea Kingdom.
6.00 Maggie.
6.25 Mr Smith's Favourite Garden.
6.50 News Summary.
6.55 Riverside.
7.30 The Genuine Article.
7.55 Porridge.
8.25 Grace Kennedy.
9.00 Three of a Kind.
9.30 Horizon.
10.15 West Country Tales.
10.45 Newsnight.
11.30 Télé-Montage.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Do It Herself. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-Go-Round with Joan Shenton and Tony Bastable. 2.30 Monday Matinee: "Hunters of the Reef." 4.15 Dangermouse. 4.20 Graham's Ark. 4.45 The Book Tower. 5.15 Mr and Mrs.
5.45 News.
6.00 Thames News
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 Wish You Were Here . . . Ed Stewart reports on a fly-drive holiday in Florida; Chris Kelly goes skiing in the Austrian Tyrol; and Judith Chalmers visits Alassio in Italy.
7.30 Coronation Street.
8.00 Let There Be Love, starring Paul Eddington, Nanette Newman and Henry McGee.
8.30 World In Action.
9.00 Hill Street Blues.
10.00 News.
10.30 "The Looking Glass War," starring Christopher Jones, Ralph Richardson and Anthony Hopkins.
12.25 am Close: "Sit Up And Listen" with Gillian Reynolds.

† Indicates programme in black and white

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 2.30 Monday Film Matinee: "The Sandwich Man," starring Michael Bentine and Norman Wisdom. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Anglia Reports. 11.00 The Palace Presents: Michel Legrand and Rolf Harris. 12.00 Superstar Profile (Alan Alda). 12.30 am Reflection.

BORDER

1.20 pm Border News. 2.00 Film: "Stolen Hours," starring Susan Hayward and Michael Craig. 3.45 Money-Go-Round. 5.15 Bygones. 6.00 Lookaround Monday. 6.15 The Sound of ... Wynford Evans. 6.30 Mr and Mrs. 10.30 Robert Burns—A Celebration. 11.00 The Entertainers (Elkie Brooks). 11.30 Border News Summary.

CENTRAL

1.20 pm Central News. 2.00 The Monday Screen Matinee: "Sapphire," starring Nigel Patrick, Michael Craig and Yvonne Mitchell. 3.45 Money-Go-Round. 6.00 Central News. 10.30 Left, Right and Centre. 11.10 Central News. 11.15 Paris by Night. 11.45 Something Different.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.30 The Monday Matinee: "The Healers." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two of Us. 9.00 Quincy. 10.28 Channel Late News. 10.35 Ladies Man. 11.05 Golfing Greats (Peter Thomson). 11.30 Barney Miller. 11.55 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.30 Monday Matinee: "The Horse's Mouth," starring Alec Guinness. 6.00 North Tonight. 6.30 Cause for Concern. 8.00 Robert Burns—A Celebration. 10.35 Let There Be Love. 11.00 The Palace Presents host Jack Jones and guest star David Soul. 12.00 North Headlines.

GRANADA

1.20 pm Granada Reports. †2.30 Monday Matinee: "A Jolly Bad Fellow." 6.00 Granada Reports. 6.30 Mr Merlin. 9.00 Quincy. 10.30 Best Sellers: "From Here To Eternity."

HTV

1.20 pm HTV News. 2.30 Monday Matinee: "Blithe Spirit," starring Rex Harrison and Constance Cummings. 5.15 Diff'rent Strokes. 6.00 HTV News. 10.28 HTV News. 10.30 Survival. 11.00 Hazel O'Connor. 11.30 Soap.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 Mr Magoo. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.00-11.30 World in Action (as HTV West at 8.30 pm)

SCOTTISH

1.20 pm Scottish News Headlines, Road Report. 2.00 Monday Matinee—"The Healers." 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 8.00 Burns—A celebration. 9.00 Quincy. 10.30 Let There Be Love—Man and Superman. 11.00 Late Call. 11.05 Ngaio Marsh Mystery.

TSW

1.20 pm TSW News Headlines. 2.30 "The Healers." 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 The Two of Us. 9.00 Quincy. 10.32 TSW Late News. 10.35 Ladies Man. 11.05 Golfing Greats (Peter Thomson). 11.30 Barney Miller. 11.55 Postscript. 12.00 South West Weather.

TVS

1.20 pm TVS News. †2.30 Monday Matinee: "Green for Danger," starring Alastair Sim. 5.15 Radio. 5.30 Coast to Coast. 6.00 Coast to Coast (cont.). 6.30 Hazel O'Connor. 9.00 Quincy. 10.30 A Full Life with Lady Longford. 11.00 Thriller ("The Killing Game").

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "In Search of Gregory," starring Julie Christie. 5.15 Happy Days. 6.00 North East News. 6.02 Mr and Mrs. 6.30 Northern Life. 9.00 Quincy. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.10 am The Other Side.

YORKSHIRE

1.20 pm Calendar News. †2.30 Monday Matinee: "Floods of Fear," starring Howard Keel, Anne Heywood, Harry H. Corbett and Cyril Cusack. 4.10 Love—American Style. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 It's a Vet's Life. 9.00 Quincy. 10.30 There's Life North of Watford. 11.00 Lou Grant.

RADIO

(S) Stereophonic broadcast
‡ Medium wave
(B) Binaural broadcast

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 Folk On 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 The Monday Movie Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Max Bruch (S). 10.00 Music For Organ (S). 10.35 Settings of Robert Burns (S). 11.15 BBC Northern Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 The Songs of Mussorgsky (S). 3.30 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Aspects of the Blues. 7.30 "L'Isola Disabitata," opera in two acts by Haydn (sung in Italian) (S), including 8.15-8.20 Interval Reading. 9.15 The Distance, the Shadows. 10.05 Enesco: Sonata No. 3 for Violin and Piano (S). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Alkan (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.45 Glyn Worsnip with a selection from the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way visits Horsham in West Sussex. 11.50 Poetry Please! 12.00 News. 12.02 You and Yours. 12.27 Legal, Decent, Honest and Truthful (S). 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.35 Back in Ten Minutes. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Just a Minute. 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S/B). 9.00 French's Without Tears. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Telex's role in contract law defined

THE WEEK IN THE COURTS

BY JUSTINIAN

EVERY first-year law student is taught that a contract is formed by an offer and an acceptance, and that the acceptance must be notified to the person making the offer before the contract is concluded.

The cases in the courts have decided that an acceptance by letter or telegram constitutes an exception to the general principle. Acceptances of an offer by either of these two modes of communication is effected the moment it is placed in the hands of the post office. If, however, the acceptance is telephoned through, when there is instantaneous communication, the contract is complete when heard by the offeror. Into *which category does a telex message fall?*

Twenty-five years ago the Court of Appeal treated a telex message as being within the general principle.* Last week the House of Lords in *Brinkibon Ltd v Stahag Stahl Und Stahlwarenhandels GmbH* confirmed that that was the correct view, although the Law Lords indicated that the general rule might not cover all variations on the telex theme.

There may be cases where the telex message is not made as between the principals to the contract, in which case different considerations might arise simply because the instantaneity of the communication does not have the same consequence of notification to the contracting party.

Before examining the business efficacy of this legal rule, one may ask why it matters where a contract is made. After all, the place where a contract is made is almost always quite irrelevant regards the contract's validity, its interpretation or enforcement. In one important respect, however, it matters vitally in international agreements.

In order to sue in this country for breach of a contract the plaintiff must obtain the leave of the court to serve the writ on the other party overseas. To obtain that leave it is necessary to show that the contract was "made within the jurisdiction". Often enough that will admit of a simple answer. If both parties are in England at the time of the making of the contract there is no difficulty. Where communications cut across national boundaries, however, the answer may not always be so easy to determine.

The case before the House of Lords neatly illustrates the difficulty that can arise. Brinkibon entered negotiations with an Austrian company for the supply of steel.

The concluding stages of the bargain were preceded, and possibly formed, by a number of telephone conversations and telexes between London and Vienna. Finally a telex was sent on May 3 1971 from the Austrian company in Vienna. This was said to amount to a counter-offer. It was followed by a telex from Brinkibon in London which purportedly amounted to an acceptance.

If the acceptance had been posted, the contract would have been completed in London and the contract made in England, so that Brinkibon could properly serve its writ on the Austrian company. If it had been telephoned, it would have been complete when heard by the Austrian company in its Vienna office and the proceedings could not have been taken in England.

The exception to the general rule was developed by the courts because of the obvious *mischief consequence* which would follow if it were held that an offer might be revoked at any time until the letter accepting it had been actually received, often many days later (particularly when the mail delivery was slow or unreliable).

It seemed logical, as well as sound common sense, to say that the place, as well as the time of acceptance should be where (as when) the acceptance is put in the charge of the mail-delivery service.

Thus the courts drew a distinction between instantaneous communication by word of mouth (the general rule) and non-instantaneous communication where there was time-lag *between utterance and reception* (the exception to the general rule). The sound approach was to put telexes into the category of instantaneous communications.

Lord Wilberforce put the issue succinctly: "Where the condition of simultaneity is met, and where it appears to be within the mutal intention of the parties that contractual exchanges should take place in this way, I think it a sound rule, but not necessarily a universal rule."

The Law Lords were very conscious of the use of telex communications over the years and the many variants on the theme. Senders and recipients of telexes are often not themselves the principals to the contemplated contract; they may be clerks or secretaries, or even agents with limited authority to bind their employers.

The messages may not reach, or be intended to reach, the designated recipient instantaneously. Messages may be sent outside office hours, overnight, with the intention or assumption that they will be read in due course. Something may happen at the recipient's end to cause a delay in the message getting through to the contracting party.

In short, it would be quite wrong to place telex messages invariably into one or either of the two categories. No universal rule could cover all eventualities. The variations would have to be decided with reference to the intention of the parties, by sound business practice and a judgment of where the risks should lie. If, however, the telex message is an instantaneous one between the principals the general rule will prevail.

The strict logic of the situation might suggest that if the telegram is placed on the same footing as a letter so ought the telex. There is very little, if any, difference in the mechanics of transmission between a private telex from one business office to another and a telegram sent through the Post Office, especially one sent from one large city to another.

Even the *element of delay* will not be greatly different in the typical case where the operator of the recipient's telex is a clerk with no authority to conclude contracts, who has to hand it to his principal. A telex message in such a case is not received instantaneously by the responsible principal.

Three reasons, however, led the Law Lords to say that on balance it was better for the law of contracts to equate the telex with the telephone as an instantaneous communication.

The first reason stems from the law's inclination to affirm its *own* precedent. For a quarter-century the rule had been such and it seems to have worked without leading to serious difficulty or complaint from the business community.

Second, once the message has been received physically in the recipient's office it is up to him to arrange for prompt handling of the message.

Third, a party (the acceptor) who tries to send a message by telex can generally tell if his message has not been received on the other party's (the offeror's) telex-machine; whereas the offeror will not know if an unsuccessful attempt has been made to send an acceptance to him.

It is, therefore, convenient that the acceptor, being in a better position, should have the responsibility of ensuring that his message is received. Hence, the general rule, and not the postal rule, should normally apply to telexes.

**Entores Ltd v Miles Far East Corporation [1955] 2 QB 327.*
†[1980] 2 Lloyd's Rep. 556

RACING

BY DOMINIC WIGAN

SATURDAY'S racing had promised followers of the jumping game entertaining sport and pointers to Cheltenham. In the event it proved neither enjoyable nor informative.

Celtic Ryde broke his back in a fall at Haydock. The ground was so heavy I would not care to put much faith in the value of the Peter Marsh Chase form with the *Cheltenham Gold Cup* in mind.

In the South, Little Owl was pulled up a long way from home in the Fulwell. It seems the Gold Cup winner of 1981 lost his bit at an early stage there, rendering him almost totally rudderless under part-owner Jim Wilson.

Little Owl's early departure was not as disappointing for a few as was, for the majority, the dual forecast naming the 5-2 winner, Venture To Cognac, and 66-1 runner-up, Great Dean, who in either order paid just 24p to a 10p stake (odds of 11-8 after the tax deduction).

On the recommendation of the Betting Office Licensees Association leading bookmakers are withholding pay-outs on forecasts until an inquiry has looked into the affair.

Favourite-backers could not have had a better day on the corresponding afternoon at Leicester a year ago when all six races were won by the market leader. With searching ground inevitable on this occasion, however, backers should tread warily.

On his best form Applalto, the one-time high-class Alto Volante gelding—arguably the unlucky loser of Leopardstown's Sweeps Hurdle in which he had the worst of runs—would be a "racing certainty" for the Cottesmore Novices Chase. Here however, I would be wary of supporting him.

A better bet is Same Date.

LEICESTER
1.00—Same Date***
2.30—Cole Porter*
3.00—Liboi**
3.30—Morayshire

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Stress: industry's avoidable cost

BY ARNOLD KRANSDORFF

BRITISH companies beware. There is a very real threat that high compensation claims for the effects of stress at work may have to be met in the future.

A British court recently set a precedent by awarding an engineering fitter £7,750 for moderate hearing loss due to noise stress—a judgment which may well herald the beginnings in the UK of what has become a popular disability claim in the U.S.

So says Dr Audrey Livingston Booth, director of the newly-formed Stress Syndrome Foundation which has gained executive support from such industrial heavyweights as Sir Monty Finniston, a former chairman of British Steel and Walter Goldsmith, the director general of the Institute of Directors, and Baroness Phillips, who has held numerous public service appointments.

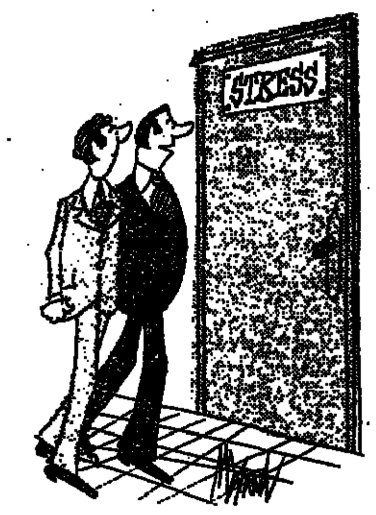
The foundation's aim is to expand research into the problems of stress and help to reduce its harmful effects.

Dr Booth, who is a specialist in neuro-psychology, believes that claims by workers to be compensated for stress could be very expensive for industry. In the U.S. in 1978, 17 per cent of disability claims in one state alone—California—were related to job stress, otherwise called "cumulative trauma" by local lawyers.

She believes that British companies should introduce special stress control programmes. These could involve a number of alternatives, including day, weekend or midweek seminars at an outside location. Inhouse courses could be arranged to reduce staff disruption, while special individual programmes could be provided if people could not spare any time off.

Generally, treatment for stress would include special instruction on breathing and gentle yoga-style exercises supplemented by courses giving relevant information, she explains.

If this were done, the savings to industry could be "considerable." Dr Booth estimates that the direct cost of stress to British industry in 1979-80 was £3bn in terms



"There was so much of it around we decided to create a new department"

of working days lost through absenteeism brought about by boredom or stress-related illness. Stress, she says, can manifest itself in both mental and physical ways and stems from situations evoking fear, anxiety, worry and frustration.

"We lose more days through stress than through strike action, which is a sobering and expensive thought," she says.

Dr Booth made these comments at a recent one-day symposium on stress, a subject that is generating a great deal of concern at the moment. More than 50 companies were represented at Dr Booth's presentation, many of them household names.

Another speaker, Professor Cary Cooper, a specialist in organisational psychology, has also recently published a book on executive stress and its effect on the family, while the Institution of Industrial Managers is about to hold a one-day workshop on stress.

Dr Booth believes that any stress control programme should have one basic objective: to teach employees "how to drive, service and maintain a very valuable precision-made system—the human body."

To illustrate her point, she cites an everyday event whereby important business has to be discussed over a working lunch. The stress of the occasion, she maintains, can affect ordinary bodily functions such as digestion because salivary juices stop flowing.

Because of this the executive needs to pace himself in his use and management of energy. He has to learn to "recognise over-arousal in himself and how to reduce it."

"It need only take 10 minutes but it must be done, or he'll have dyspepsia, gastritis or worse, then take antacids, which upset the delicate acid / alkali balances . . ." she says.

"Working breakfasts, lunches and dinners should be kept to a minimum: these should be natural breaks when an executive takes his foot right off the accelerator. Weekend breaks should be sacrosanct."

She adds: "Learning how to pace and drive ourselves without wear and tear is what stress management is all about."

Stress Syndrome Foundation, Cedar House, Yalding, Kent. (0622 814431.)

The impact of the family

WHEN IT comes to family rows Cary Cooper thinks that the employer has a lot to answer for.

The pressures of modern-day work lead to a great deal of stress. Often this spills over into home life and when it does, it can compound problems at work.

Companies, he believes, do not do enough to help their employees—or themselves.

As a specialist in organisational behaviour Cooper obviously believes he is well qualified to hold such an opinion. He is professor of organisational psychology and head of the department of Management Sciences at the University of Manchester, and has recently published a book on Executive families under stress*.

While this reflects a keen understanding of the existence and causes of this condition, some of the antidotes he recommends do seem rather like spoonfeeding.

He believes that the conflicts and strains that families experience have probably the most important influence on the performance and satisfaction of the individual manager and, consequently, on the climate and success of the nation's businesses. However, employers have always been reluctant to acknowledge the impact of families on companies—claiming that they are "irrelevant to managerial performance, to have minimal effect, or to be 'none of our business'."

He asserts that the mental and physical effects of job stress are not only disruptive influences on the individual manager but also a real cost to the organisation.

While difficult to quantify, he quotes government estimates that, in the UK, industry loses roughly 300m days a year because of short-term, stress-related illness. Calculations in the U.S. suggest that pressures at work create physical, social and psychological problems that may cost in the region of between 1 and 3 per cent of gross national product, he adds.

There are a large number of potential sources of managerial stress, he says. These include lack of job security, relocation, the pressure of too much or too little work, thwarted ambitions, too much business travel, and lack of effective communication — all factors that become exacerbated during periods of economic downturn.

On top of this, life is being made even more complicated by an altogether new factor—the increasing number of wives with careers. This can restrict the promotional moves of either spouse.

"Many of the problems that both male and female managers and their families face are a consequence of changes in society and the reluctance or insensitivity of organisations to recognise them and take the necessary action to minimise their negative effects," says Cooper.

"Obviously, both male and female managers share a large number of difficulties, but it is also true that female managers have additional concerns and problems to overcome by virtue of being women."

Cooper stresses that individuals and families must be prepared to help themselves but the employer can also do much to meet the challenge.

Referring to the "staggering" cost of stress-related illness, he says: "Perhaps if personnel departments or cost accountants in organisations focused more on the financial costs of the human asset, then more flexible, imaginative and futuristic policies would be pursued."

So what can an employer do? Cooper is not short of suggestions—some are his own, others belong to his peers.

Among them—

● Hold seminars for spouses "to enable each to learn what is going on in each other's lives."

● Provide nursery facilities or child-minding support so that wives can engage in other activities. Even provide wives with part-time jobs in the company.

● Allow working women more flexible working hours so that they can arrange their working/home commitments accordingly.

● Allow spouses to accompany managers on a certain number of business trips a year and provide more free time to prepare and recover from travelling.

● Gear relocation plans to the individual's home life phase—change is less disruptive when one is single than when one has children starting school, for example.

● Provide adequate notice on relocation, which should be long enough to eliminate or minimise separation from the family. At such times, time off for house hunting and moving should be the norm, rather than a privilege; other travel should be kept to a minimum and arrangements could be made so that either party, during times of separation, has someone to turn to in domestic emergencies.

* *Executive families under stress. By Cary Cooper, Prentice-Hall Int. 66 Wood Lane End, Hemel Hempsted, Herts. £8.95 hardback; £4.45 paperback.*

BOOK REVIEW

BY JEREMY STONE

Plumbing the depths of RTZ

The Rio Tinto Company — an economic history of a leading international mining concern, 1873-1954 by Charles E. Harvey. Alison Hodge, 5 Chapel Street, Penzance, Cornwall. £25.

HUGH MATHESON was an earnest Scot who devoted his life mostly to the virtuous accumulation of money. In his spare moments he endowed churches and threw himself — like his friend Mr Gladstone — into the reclamation of London prostitutes.

Sir Auckland Geddes, also a Scot, led an academic life as professor of anatomy at a Canadian university before achieving success as a Whitehall bureaucrat in the 1914-18 war. This led him on to become a Unionist MP and British ambassador in Washington. His unofficial life was in some ways more incongruous even than Matheson's; in 1931 his "Through the Veil — A Thrilling Psychic Drama" was produced pseudonymously in the West End of London.

The common factor in their lives was the Rio Tinto Company. Matheson founded it in 1873. Nearly 60 years later, at the time of his theatrical success, Geddes was its chairman. But far from being dilettantish in his methods of management, Geddes transformed Rio Tinto.

What Matheson had created —using his spotless City reputation to gloss over the risks of his speculative venture —was a company designed to operate a single mine in Northern Spain. It was the impetus of Geddes which sent Matheson's Rio Tinto down the road to becoming a multinational conglomerate now known as RTZ.

Perhaps because it combines size—and a long purse—with exceptional taciturnity, RTZ has been more written about than most companies. Richard West's commando-style expose —River of Tears*—gave a less than flattering account of RTZ as it was in 1972, and of its post Second World War growth. The picture was one of ravished landscapes and exploited colonial workforces.

Not on Queen Victoria's Birthday! appeared in 1974, a luxuriously illustrated centenary chronicle by RTZ's then archivist, Dr David Avery. Although there was a large celebratory element in Dr Avery's book, it was not—he emphasised—an official history.

There were warts.

Charles Harvey's new independent history sheds new light on quite a few of them. Where Dr Avery concentrated on social aspects of the story, Dr Harvey's approach is financial and economic.

The case made for multinational companies to exploit natural resources has always been that they can benefit the economy of a host-nation by mobilising assets which would otherwise be dormant (even undiscovered). Economic development results from the increase in tangible local wealth —as royalties are paid—and from the increased economic activity which a mine or oil-well collects about itself.

Dr Harvey applies quantitative tests to this hypothesis, reaching the disappointing but significant conclusion that exploitation of the original Rio Tinto mine between 1873 and 1954 was more beneficial to the economies of Britain and France than of Spain. On the other hand, he argues convincingly that the original price paid for the right to work the Rio Tinto deposits was fair.

Cartels

Dr Harvey's most interesting contributions, however, are to be found on a less exalted plane than international welfare economics.

His narrative is at its best when it homes in on the ways in which this large enterprise—and its promoters — applied itself to the manipulation of markets. Rio Tinto was adept at the making and breaking of cartels, and did well out of the Secretan copper corner of the 1880s. But financial markets were as important to the company as the markets for copper and pyrites. Two examples give the flavour.

Even RTZ's own historian was forced to record that the 1873 prospectus — offering for sale 200,000 shares at £10 each — "appeared to many to be almost fraudulently optimistic." Dr Harvey can now show that they were right; there is little doubt, he writes, that the (Matheson) syndicate deliberately understated the risk and overstated the likely return on capital.

As a prospectus-writer, the upright Matheson was not only a master in the use of red ink and carefully-chosen typefaces; he was also prone to exaggerated cash-flow projections. An equity base of £2m was simply not sufficient for an undertaking which involved new port facilities and miles of expensive railway as well as immense mine-workings.

In its early years, the Rio Tinto Company was forced into onerous bank loans, conversions of its debentures into ordinary shares, and heavily discounted bond issues. By 1878, when the company recorded an attributable profit for the first time the ordinary shares had sunk to a mere £2.50.

Once through these vicissitudes, the company became extremely profitable. But when Geddes came to head it in the 1920s, times had again become more difficult, and diversification into the North Rhodesian copper belt was one of the curative strategies which he prescribed. His vehicle was the Rhokana Corporation.

A certain ruthlessness characterises the way in which Geddes collaborated with Sir Ernest Oppenheimer in assembling and consolidating their control of Rhokana. In brief, they appear to have arranged the development finance of Rhokana in such a way as to dilute the minority shareholders into insignificance.

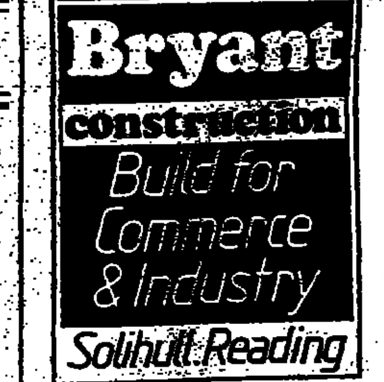
Acting as underwriters to a Rhokana debenture, they set the interest payments high enough to ensure that Rhokana would default. This outcome was obvious to others besides Rio Tinto and Oppenheimer's Rhodesian Anglo American, the majority shareholder. So it was not difficult for Rio Tinto's in-house stockbroker — J. C. im Thurm—to buy in £2m of the £4.5m issue, or for Anglo to mop up the remainder. When Rhokana promptly suspended payment on the stock, the holders naturally accepted payment in Rhokana ordinary shares. As a result, their combined stake rose from 65 per cent to 84 per cent.

It is to this deal that the modern RTZ can be traced. It sets the precedent for geographical diversity. And it ensured — along with other investments in Rhodesian copper —that Rio Tinto survived the 1939-45 war. Geddes's Rhodesian investments were the launching-pad of RTZ's post-war expansion.

It is only a pity that Dr Harvey has not brought his analysis nearer to the present day, at least close enough to re-assess West's ten-year old indictment.

*Out of print.

BUILDING AND CIVIL ENGINEERING



British engineers' successes

DESPITE the international economic recession, British consulting engineers are taking an increasingly large share of international contract work.

Commissions for UK consulting engineers in the transport sector alone, particularly mass transit work, doubled in value last year to £2.5bn. The capital value of all new overseas commissioned work secured by British consulting engineers during 1981 was £11bn, compared with £6bn the previous year.

International engineering projects commissioned last year had a total capital value of £46bn. Fees earned by British consulting engineers from their portion of this work will amount to approximately £450m.

The Association of Consulting Engineers, which represents the 120 major engineering consultancies engaged in overseas work, has noted a developing trend in the location of new contract work and the nature of that work.

ACE's members are clearly becoming less dependent on the Gulf states for new work, while Egypt, South-East Asia and South America are likely to provide the most growth in new commissioned engineering projects in the next five years.

The importance of harbour and dock construction to British consultants is declining, according to ACE, while there is substantial growth forecast in water supply and disposal projects such as desalination plants and sewerage facilities.

Last year, British consulting engineers worked on a host of major mass transit contracts. The elaborate extension of Hong Kong's Mass Transit Railway will be supervised by Kennedy and Donkin and Charles Haswell, while the Iraqi Government awarded a contract to British Metro Consulting Group to design, implement and put into service the first stage of the Baghdad Metro.

In Taiwan, British Mass Transit Consultants have been retained to provide consultancy services in the form of a feasibility study for the Taipei Mass Rapid Transit System while a number of British firms have been retained as subconsultants for the £600m light railway system in Valencia, Venezuela.

ACE is confident that the growth in new commissions in 1982, while perhaps not as dramatic as last year, will be substantial.

On all levels British consulting engineers are able to compete in world markets, the association claims.

This view is enthusiastically supported by Mr Jim Wiltshire, joint senior partner of Kennedy and Donkin.

"The 1981 assignments show that British consulting engineers *still retain their ability* to compete successfully, both financially and technically, in a highly competitive world market," he claims.

"They also show how British firms can combine when a particularly large or complex project requires the varied expertise of a number of consultants," he added.

PAUL HANNON

Home in a dome

A CAPTIVATING concept for instant homes comes from California company Cathedralite, whose consultant is R. Buckminster Fuller, lauded by some Americans as the Leonardo da Vinci of this century.

Fuller's maxim of "doing more with less" resulted in the geodesic dome, which is likely to prove more attractive to the UK housebuying public than to our planning authorities.

The Californian domes look rather like wooden igloos, cost 5 to 15 per cent less to build than conventional homes of comparable size, and offer energy savings of between 30 and 50 per cent.

During the 1920s, Fuller *concluded that the building arts had not kept pace with technological innovation.* After intensive research he discovered that the triangle was the strongest, simple geometric shape in nature. His geodesic dome concept emerged as a result.

The dome, with half of the living space upstairs, provides the same square footage, window space and insulation standards as a typical one-storey rectilinear home (bungalow) but requires between 30 per cent and 50 per cent less energy to maintain a comfortable living environment.

The reason for such substantial savings lies in the fact that the geodesic home has 38 per cent less exterior surface area—albeit the same interior square footage, with the result that there is less to heat (or cool) and less surface area from which heat can escape.

The designers say the fewer the partitions the better, because air naturally travels in a circular pattern and the greatest enemies of continual air flow are floor to ceiling *walls, air-stifling corners,* and *low,* flat ceilings. A dome efficiently keeps all three air movement barriers to a minimum.

Geodesic homes are at the least up-market prefabs—suggested for weekend use, as separate structures for visiting in-laws or overnight guests.

But for those with families or who entertain frequently, the spacious 50-ft diameter home could also be the answer to unusual but gracious living.

With 1,800 sq ft on the first floor alone, there is the option of adding a second floor to bring living space up to more than *2,700* sq ft, making way for more large bedrooms, a roomy kitchen and perhaps a study or den.

In the middle range, the 30 ft and 35 ft Vista model includes a preframed ready-to-stand first floor *interior* and exterior wall arrangement, main floor and subfloor, as well as uncut materials for the second *floor interior wall.* This package also offers scope to include decking, a garage, sauna, workshop or storage area.

Most domes are sold in kit form, usually exclusive of interior materials for the main level and loft (if any). In *addition to the shell,* the kit includes prefabricated stud walls for the lower level, materials for the second floor joists, subfloor and staircase.

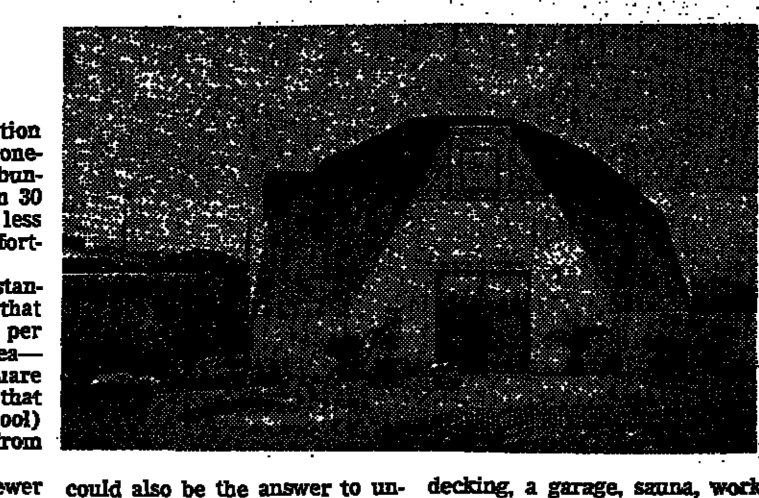
The shell for the 35 ft diameter model arrives on site in the form of a few lower level wall sections, 60 prefabricated triangles in 2 x 4 ft or 2 x 6 ft construction, riser wall, two skylights, sets of canopies (overhang) for weather protection and openings, sets of flashings, and so on.

Once the lower level is in place, the entire structure can be assembled and ready for its cedar shingle covering within eight hours, says Cathedralite.

This package is aimed at DIY enthusiasts, and the company reports that 75 per cent of its customers do some building and finishing, while a quarter do almost all of the work themselves. Prices for the Vista model start around $20,000 in the U.S.

Confidence in its product begins at the company's own corporate offices, which consist of a clutch of domes demonstrating what the company calls "the world's most advanced building system."

Cathedralite, 820 Bay Avenue, Capitola, Calif., CA 95010.



INTERNATIONAL CONTRACTS

NKK builds bridge over Keihin Canal

NIPPON KOKAN KK is constructing a 410-metre, three-span box girder bridge over the Keihin Canal, north of the Tokyo International Airport at Haneda. This bridge, the longest of its kind in Japan, will link Showa Jima Island with Ohi Pier and will make up part of the metropolitan Bay Highway.

The contract is worth about Y50,000m (£117.8m).

Called the Keihin Unga Kyo, the bridge will feature the use of steel instead of concrete for both traffic lanes. The bridge's central span will measure 170 metres in length while the other two spans will be 119.5 metres. The bridge will use 4,300 tons of steel.

Desalination in Libya

BUCKAU-WALTHER, Grevenbroich, a Krupp Group company, has been commissioned by the town of Ajdabia, Libya, to build a sea water desalination plant as a turnkey project on the coast.

The plant will produce 30,000 cubic metres of drinking water per day. *Having its own 15 MW* power generating unit, the desalination plant will be independent of the public supply system.

In addition to the delivery of all the plant components, the DM 135m (£31.1m) contract includes the building work and creation of the necessary infrastructure. Commissioning is scheduled for summer 1983, after which Buckau-Walther will manage the plant for four years.

The three-pass desalination plant will use the multi-flash evaporation process and is one of the largest desalination plants ever ordered from a German company.

Power generation is by two heavy-oil or gas-fired steam boilers, and two turbo-generators. There is a starting diesel engine, and a storage tank for 9,000 cubic metres of heavy oil. Of the 15 MW output, 6 MW will go into the public power supply system.

OHBAYASHI-GUMI, one of Japan's leading construction companies, has won a contract *worth $11.2m (£5.9m) for the* rehabilitation of the Strawberry Tunnel inlet in Utah.

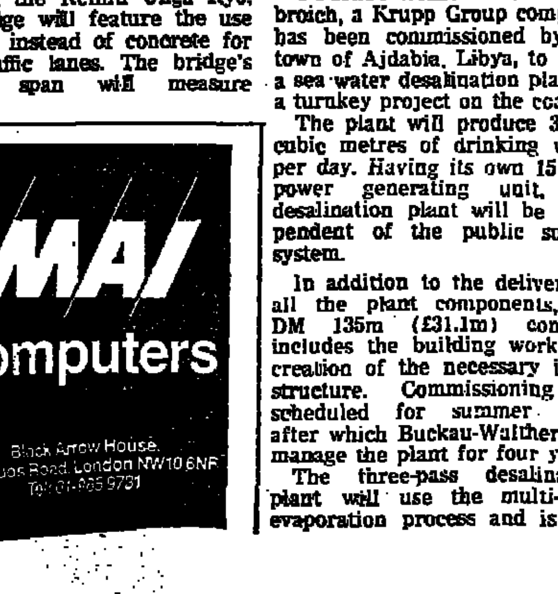
The contract was awarded by the U.S. Department of the Interior, Bureau of Reclamation, and preparatory work has started. *Excavation work is scheduled to* begin in April.

Principal components of the work consist of the construction of about 1,200 ft of inlet channel, 2,435 ft of 10 ft 9 ins fully-lined tunnel, and gate shafts and gates.

Ohbayashi-Gumi will use a road header manufactured by Mitsui-Miike for the tunnelling operations. The total excavation volume will be about 20,600 cu yds.

A $45m (£23.9m) contract to build a medical school, the first phase of the Bahrain-based Gulf University, has been awarded to SAINRAPT ET BRICE.

The French company also built Bahrain's Regency Continental Hotel.



UK CONTRACTS OVERSEAS

Electrical services

A contract worth over £1.46m has been gained by BLIGH ELECTRICAL, Canterbury, for electrical services at a cigarette manufacturing complex in Baghdad for Iraqi State Tobacco Enterprise. Bligh's part in the project is in association with cigarette machine specialist Molins and calls for electrical installations throughout the 200 metre long production line. Molins are supplying and installing cigarette manufacturing and packing plant. The associated conveyor system is being supplied by Gramac.

Steel order

S. W. FARMER AND SON has an order from Fluor (Great Britain) on behalf of Abu Dhabi National Oil Company, for structural steel valued at £2.2m for the Thammama "C" Gas Project at Habshan, Abu Dhabi, United Arab Emirates.

The work consists of piperacks, equipment support structures, vessel platforms, building and cladding.

UK CONTRACTS

£12m orders for Crudens

A RANGE of building work worth more than £12m has been secured by CRUDEN CONSTRUCTION, Warrington. Housing work has taken a £5.8m share and includes a 130-dwelling project in Preston for the North British Housing Association; a 60-dwelling contract at Higher Broughton, Salford for the Salford Community HA; and a £1m Muir Group HA contract to provide 60 traditional dwellings on the Canalside in Chester.

Work on the Merseyside improved housing contract for 45 sheltered flats in Walton Village, Liverpool, is due to begin this month. The company's private developments, worth £900,000—at Chadderton in Oldham and on five sites in the Tameside district — are already underway, with the first batch of completed homes due to be placed on the market soon.

Work on the Halifax Building Society's new four storey branch office block in central Manchester is worth £1.7m and involves the replacement of the Victorian "Halifax House." In Broughton, Chester, the £366,000 Cheshire County Council contract to build a new Fire Brigade control centre is underway. Building is scheduled to take 12 months.

Industrial work comprises a five month contract for 18 factories at Astmoor, Runcorn and a £488,000 contract to provide 23 advanced industrial units at Winwick Quay, Warrington; both for the Warrington and Runcorn Development Corporation.

Refurbishment and modernisations are featured high on the list with four contracts totalling £1.1m in Liverpool. These include the £170,000 conversion of the old "Gordon Smith Seamen's Institute" for Poulsom and Co, and three other rehabilitation contracts in Anfield, Sefton Park and Toxteth, for the City of Liverpool.

Finally, the company has been engaged on three re-roofing schemes, worth a total of £853,000 and consisting of a 48-top floor flat scheme on the Coldhurst Hollow Housing Estate, Oldham, a 67 house and flat scheme at Hollinwood, Oldham — both for Oldham Borough Council; and a contract to provide 54 new roofs at the Dovecote Estate, Liverpool for the City of Liverpool.

Around the Industry

MONKRADLE ENGINEERING (a Monk's access engineering division) has completed a hat-trick in winning a third order for one of its specialised bridge maintenance gantries for West Sussex County Council's Adur Bridge.

Purpose-made to facilitate inspection and maintenance of major bridges, the gantries are either hydraulic or electric drive with *automatic* self-levelling and anti-crabbing systems, built-in scissor lifts, lights and electric power sources.

TAYLOR WOODROW Construction is to form a new wholly-owned company to extend its present market in the design and installation of mechanical and electrical services.

Called Taymech, this will also develop the *present fabrication,* commissioning and maintenance capabilities, and will also incorporate aircraft refuelling equipment operations within the company.

More from Taywood on 01-575 4410.

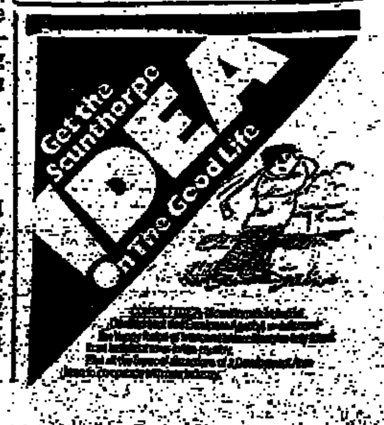
ATCOST CONSTRUCTION group has launched a new company called AFL which it says has been specifically created to encourage the development of millions of pounds worth of redundant land and property assets.

This is believed to be the first commercial advisory unit of its kind in Britain, says Atcost, and will arrange specific confidential advice for companies with under-utilised or neglected land or buildings.

Further on 0892 26288.

WHETHER FOR drilling services holes through floors and ceilings of buildings, or used outdoors taking rock cores to check deposits in quarries, an 8-hp petrol-driven Pixie 51 drill is proving to be an inexpensive method of carrying out the work, says Craelius, Long March, Daventry, Northants.

Further on 037272 343.



THE ARTS

Glasgow Citizens'

Puntila and Matti

by MICHAEL COVENEY

Herr Puntila und sein knecht Matti is, quite literally, Brecht's most escapist play as well as his funniest. It was written during three weeks in 1940 while the Battle of Britain raged and Brecht, with his family, dropped fugitive anchor on a country estate in Finland. Giles Havergal's production opens with the author, his wife and two children marching through the auditorium with bags slung over their shoulders. They are welcomed with the laying of a generous table, Brahms waltzes heard on a distant piano.

The tale of an alcoholic landowner, Puntila, who is reasonable when drunk but unbearably cruel when sober, is taken up in a mood of amateur theatricals that springs logically from the social warmth and high spirits of these first moments. The device also reflects the circumstances in which Brecht came across his material for this play. Terry Bartlett's design is a sort of huge white-walled barn, with solid furniture and a haystack in the corner. It has a fine country atmosphere and that atmosphere blows not only through the production (Gerry Jenkinson's lighting is delightful) but also through the sense of private liberation experienced by Brecht (Robin Hooper) while writing the play. We hear a speech of Churchill on the radio; Brecht ponders the helplessness he feels as an artist.

This was an interesting peripheral touch in the presentation. It has become fashionable to snipe at Brecht for the ambiguity of his pragmatic attitudes and the naivety with which he owns up to the tendency over and over again in his plays and other writings. But to snipe is to miss the point. It is no coincidence that many of his greatest creations—Puntila, Galileo, the Good Woman of Setzuan—are really studies in schizophrenia, and this makes for their dramatic richness.

While Patrick Hannaway lacks the animal magnetism demanded of him as Puntila—it is a terrific star part—the great virtue of his performance lies in its precise investigation of the contradictions in the tyrant's make-up. The play contains some of the funniest scenes in modern theatre, and the running battle between master and servant lends the piece a solidity well exploited by both Mr Hannaway and Jane Bertish as a transexual Matti. The only casualty of a woman playing the chauffeur is the loss of sexual tensions in the sauna, where Matti plays an innuendo-ridden game of cards with Puntila's daughter Eva.

Eva and her fiancé, the chinless attaché whom the drunk Puntila knows will benefit his capitalist enterprise, are played very brightly by Celia Imrie and Laurance Rudic. The former chatters like a 1920s vamp, while Mr Rudic has perfected a languorous "Anyone for tennis?" rambling gait, loose at the knee. The effect is to present the young things as equal outsiders (Eva is, after all, just home from a Brussels convent) and one of the play's comic highlights, the "pretend" wooing (complementing the sauna scene) of Eva by Matti to test her suitability as a chauffeur's wife is duly hilarious.

Purcell Room

Suoraan by PAUL DRIVER

The second of the Suoraan ensemble's three concerts at the Purcell Room began with the first performance of Michael Finnissy's *Duru-Duru*, a transformation of verbal and musical folk-material from Sardinia for mezzo-soprano, flute, piano and percussion, which proved utterly seductive and is one of the composer's best compositions to date. The title refers to a kind of "dance-song" and the piece was written as a wedding gift for the present conductor, James Clarke, and his wife. Fittingly, the music expressed a blaze of celebration, glinting, ornate, electrically-charged melismata in the treble instruments, enfolding the singer's (Josephine Nendick's) pungent, fastidiously inflected utterance to a lively pacing of castanet-clicks and pedalled drum thuds. The piece is not unrelated to Xenakis but the sensibility as well as the technical lucidity belong to Finnissy.

Finnissy, nominally the ensemble's pianist, seemed increasingly and inevitably to dominate the activities. Its preference for the music of Xenakis and Finnissy, both featured in this series, reflects more meaningfully on his aesthetic interests than on those of Clarke and Richard Emsley who are Suoraan's directors. Three Cage items were included on Thursday. In the first, a realisation for just three performers of the elastically scored *Atlas Eclipticalis* (it can use as many as 86 instruments and last any amount of time), Finnissy obliged by acting as the human clock which minimally limits a completely random production of pitches. The resulting instance of ultimate pointillism was pleasant and soothing in its way for the listener. It did not go on too long (though it outlasted certain applause) and it afforded the incidental stimulus of deciding whether Miss Nendick, seated impassively in the curve of the piano, was actually participating or not.

She was in all probability just waiting for her two Cage songs which followed. *The Wonderful Widow of Eighteen Springs* and *A Flower* are both conceived for voice and closed piano—voice getting by with as few as three pitches in the first and piano taps as modestly deployed. They are surprisingly musical contrivances: their meaning, if they must take one, is to do with that intimacy a recitalist develops with the grand piano as symbol and institution.

Afterwards Miss Nendick unwrapped her own present from Michael Finnissy, a solo vocalise, *Ohi Ohi Ohi*, composed in gratitude for long and faithful advocacy. It was light and witty and had a lilt, and it was sumptuously set forth. In two pieces by Richard Emsley and one by Clarke the refined atmosphere of the music-making was disturbed. Emsley's *Helter Skelter* for flute, vibraphone and piano, a hypnotic weave of sounds, was tastefully enough composed, but his *Juniper Tree* for the full ensemble was an interminable noise-maker, while Clarke's *Red Skies* for piano, another "continuous sweep of sound," served merely to exhibit once again Michael Finnissy's unblinking thunderous virtuosity.

Leonard Burt

Peter Jones and William Rushton in a scene from "Pass the Butler," the first stage play by Eric Idle, a member of the Monty Python team. An anarchic comedy in the Joe Orton tradition "Pass the Butler" also starts John Fortune and opens a West End run at the Globe Theatre tomorrow after beating box office records during its provincial tour.

Architecture

Finns and fascists

by COLIN AMERY

Two recently opened exhibitions show the richness London now provides as an architectural centre. Both the Royal Institute of British Architects, with its Heinz Gallery at 21, Portman Square, and the Architectural Association, with its rich programme of lectures and delightful exhibition gallery at 34-36, Bedford Square, are regular and good suppliers of the small exhibition. Inevitably the AA School is a livelier source of ideas than the RIBA, but Mr John Harris of the Drawings Collection at 21, Portman Square, manages to pursue an independent and creative line of his own that is enriching to the more businesslike interests of the RIBA.

The AA is currently playing host to an exhibition called, *Sabaudia Citta Nuova Fascista 1933* which is a display of photographs and drawings and a film about one of the five new towns built by the fascist regime in Italy between 1932 and 1938. These towns were built on the reclaimed Pontine marshes about 80 kilometres south of Rome. There was a competition for the town's design and it was won by young Roman architects — Cancellotti, Scalpelli, Piccinato and Montuori who are now described as rationalists.

Like the more familiar railway station in Florence by the architect Michelucci, Sabaudia was seen as an antidote to the traditional architecture of the Italian establishment. There was fervent debate about the proper style for the regime to adopt in the 'thirties and Mussolini intervened, as is revealed in Richard Burdett's catalogue.

He spoke to the architects, "It is absurd not to want a rational and functional architecture for our time . . . . Sabaudia is fine for me and I think it is beautiful. This is what a city of the twelth year of the fascist era should look like . . . ."

Well what does it look like? Any advances in design are severely compromised by ideological considerations. The main square is aligned with the dominating fascist tower surrounded by state and party buildings—arranged as a set for political rallies. The much praised planning of the "corporate city" is in fact a method of organising the population and limiting any aesthetic experience by political dominance.

All the eager students and others at the AA would be wise not to forget that these towns were colonised, the populations were moved and pushed around by the politicians, the building programme was forced to suit the ceremonial timetable of Mussolini—even to the extent of three shifts a day with one of them working all night by floodlight. Mussolini himself, with all his enthusiasm for the new architecture, appears on the church in the background of the Annunciation of the Virgin Mary in rural Italy. There are telling photographs of all the architects in their black shirts lining up to receive the praises of the dictator.

The most interesting aspect of the exhibition is the essay in the catalogue by Guiseppe Pasquali that attempts to relate the new architecture to the art of De Chirico who loved the nostalgia of the infinite and the "mystery" of the street. There is more to explore in the artistic movements of the 1930s than their fascist origins. Sabaudia looks today like a formalised version of the most ordinary new towns—this exhibition shows that it is more than that —but not much more. Take away the politics and much of the interest goes too.

At the Heinz Gallery the Finnish architect Lars Sonck (1870-1956) can be seen as a pioneer in Scandinavia of the kind of architecture that H. H. Richardson began to build much earlier in the U.S. Out of the elements of the vigorous Finnish vernacular Sonck fashioned his own distinctive styles.

His work is best seen in Helsinki where the Telephone Company building and the Stock Exchange are two examples of two distinctive aspects of his work. He was both runic and rugged and late in fine brick buildings closer to a romantic dec style. His work and stylistic developments are well covered in this thorough exhibition, which brings to England for the first time some particularly fine drawings. The show is organised by the Finnish Museum of Architecture and is accompanied by a well-illustrated monograph.

*

Sabaudia — continues at the Architectural Association, 34-35 Bedford Square, London, WC1, until February 13.

Lars Sonck — continues at the Heinz Gallery, 21 Portman Square, London, W1, until February 27.

Royal College of Music

Albert Herring by RONALD CRICHTON

One senses occasional surprise, even disbelief, at the praise sometimes heaped in these columns on student opera performances when grander, infinitely more costly professional productions may earn short shrift. But expectations are pitched less high, the effort for inexperienced performers is considerably greater, the critic should have a natural sympathy for young artists. There is also, for sated ears, the real pleasure of hearing small-scale operas, often given under unsuitably inflated conditions, in the kind of building for which they were conceived.

A case in point was Britten's *Albert Herring*, given by the Royal College of Music Students' Association in the Parry Theatre on Thursday night—alas, for only two performances. No need for young voices to strain. Every word came over. The conductor Graeme Jenkins not only kept the balance right (he could safely have let fly a little more in the introduction to Act 3 and the climax of the mock threnody) but he and his players were in full command of Britten's chamber textures.

Musically there was virtually no weak link. John Graham-Hall in the title role, tall and gangling, kept the comic business under control and reserved his main effort for Albert's outburst after returning from his binge — excellently done. The older characters in *Herring* present difficulties for young singers. The Lady Billows of Sue McCulloch was quiet, refined, purposeful, not overbearing. Interesting reading, though the Gorgon of Loxford, who may be a Lady, is not a "lady" in the old sense — the widow, more likely, of a self-made man knighted for well-directed benefactions. She might have changed places with her formidable housekeeper, alarmingly well portrayed by Maxine Symons. A point that had not occurred to me before is the importance of the mouth in suggesting advancing age. Young lips don't easily convey years of greed, bossiness or puritan disapproval.

Miss Wordsworth (Marilyn Rees), Mayor Upfold (Chris Kirby), Superintendent (Nicholas Greenbury), were all very clearly defined. Albert's beastly mum was made far too nice by Mary Hart, but she had one of the best voices in the cast. Neither Nancy (Jane Cammack) nor boyfriend Sid (John Avey) was quite right, but the couple did their love scene, one of Britten's best, very nicely. Parson Gedge (James Ottaway) started too effusively but soon got it right. The two girls Emmie (Jane Streeton) and Cis (Alison West) were fine, but Harry (Helen Opie) was misjudged.

Bryan Drake's generally sensible, straightforward production here and in one or two other details encouraged overplaying of humours already explicit in the music. When he wrote *Herring*, Britten's instincts were already keen but he was richer in inventions than experience. Overplaying reveals passing longueurs which experienced artists can conceal. A thoroughly enjoyable evening, all the same.

St. John's, Smith Square

Sing + Circle

by DOMINIC GILL

The solo vocal quartet called Singcircle and the instrumental ensemble Circle combined under their founder-director Gregory Rose on Saturday night to offer a lively collision of assorted pieces from the recent and very recent repertory — a contrasting mixed bag which successfully gave the lie to the notion that the only worthwhile concerts of modern music are those devised to illustrate a particular theme or didactic point.

The evening was framed by György Ligeti's *Aventures* and *Nouvelles Aventures* — those "anti-operas" of the early 1960s influential for their wild and adventurous use of extended vocal techniques and, for all their exuberance, a cunning demonstration that vocal "noise" and simple music-theatrical gesture can be worked into a musical canvas of remarkable economy and delicacy. Perhaps *Nouvelles Aventures* should ideally be given immediately after *Aventures*, as a blatantly comic and contrasting pendant, to make its best effect. But as overture and coda the pair also make their point. The delivery was vivacious, and had presence and charm: a little more accuracy, especially in *Aventures*, would have provided a still sharper cutting edge. Both gained greatly from splendidly deadpan performances by the percussionist James Wood.

Dominic Muldowney's *In Dark Times* for four solo voices with five instruments, specially commissioned for the concert, sets eight poems by Berthold Brecht. It's a rich, uneven sequence. Some, like the poem of the title, are built, and move, with a strong sense of character and direction. The steady, Baroquish accompaniment that underpins the excitable, heart-jerking vocal line of "Questions" is a fine inspiration. The terrible "Easter Sunday" is an impressive, icy gust of music and words. The final "Motto," unaccompanied, is very simple and very beautiful. Others were less closely focused: the setting of the intensely characteristic poem "O Lust des Beginnens" seemed of the eight perhaps the least aptly joined to its text—an urgent, fragmented manner which bypassed too directly the tough lyricism of the words.

That was at first hearing. But I've no doubt that later and more technically assured performances will reveal more of *In Dark Times* — even as the transitional work that I suspect it may be, pointing the way perhaps towards a sharper-cut, more richly coloured and lyrical kind of music which Muldowney has yet to achieve. The vocal quartet sang their lines crisply and capably, without ever really catching the full range and nuance of the Brechtian tone. Few of the words were audible without the written text (the composer's rather than the singers' fault). None the less, if four Ekkehard Schalls had taken the solo parts . . .

A pair of solo pieces, Brian Ferneyhough's *Cassandra's Dreamsong* for flute and Xenakis's *Evryali* for piano, were stylishly played between times by Nancy Ruffer and Michael Finnissy. And also John Casken's *Music for the Crabbing Sun*, composed in 1974 for harpsichord, flute, oboe and cello — like so many works of that composer, a web of scurrying detail from which evidence of a strong and original musical sensibility emerges, but fitfully, when the texture thins.

Coliseum

Figaro

by MAX LOPPERT

Jonathan Miller's 1978 production of *The Marriage of Figaro*, amiable but vacuous and essentially lacking in any convinced stylistic identity, was rather uncertainly revived on Friday under Roger Frith's supervision. The lacklustre conducting of James Judd was little help: and while one or two of the more unfortunate inventions of the original had been removed, a major idiocy — the appropriation of the introduction to "Porgi amor" as a mini-scene involving the Almaviva offspring — remains at large. There are some new outbursts of frolicking, and even dance, in the Act 2 finale that sit uncomfortably beside the very plain postures struck at other times.

But then, to my eyes and ears, the whole production sits uncomfortably, in more than one sense — neither fruitfully plain all through nor vigorously comic, a kind of Mozartian no-man's land. The hedged flower beds into which Figaro constantly plunges in the last act reduce much of it to mere foolishness: is it too late to scrap the scenery in its entirety at this point and begin again?

The current cast lacks *élan*, unity of purpose, and, mostly, beauty of tone. Lois McDonall's first London Countess was, as may be expected, grandly carried, but rather edgily and cloudily voiced. Eilene Hannan's Susanna was in oddly colourless form on Friday, and pecked at the music; even Neil Howlett, whose sour-visaged Count was the best thing in the evening, failed to tell all the way through.

From the 1978 cast we had Sally Burgess, still a Cherubino of plucky personality, but now one of very strained vocal production, particularly in rising phrases; and John Tomlinson in the title role. It mystifies me how a singer of such profuse talents, vocal and dramatic, could have come up with such a dull and dogged view of the character—a bawling, booming sergeant major, launching into backslapping and stage-Cockney with a gusto as powerful as it was irritating. The role needs to be taken to a Bruscantini or a Gobbi, and put together on entirely new and stylistically more secure lines, piece by piece. But then, of the whole show much the same could be argued.

Delius contest

A competition for children and young people is being launched by the organising committee of the fourth Delius Festival, which is to be held from March 8 to 14 at the University of Keele and in Hanley, Stoke-on-Trent.

Entry forms are available from the Secretary, The Delius Festival, c/o The Information Office at the University of Keele.

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F.T. CROSSWORD PUZZLE No. 4,780

ACROSS

1 Where Kings, Queens and Bishops may be found? (6)
4 Putting into store a hose—but not for firemen (8)
9 Publish without permission foreign letter at cost (6)
10 Notched pole made outside (8)
12 A means of escape from bend in front of trench (8)
13 Obstruct my site, it's already in a mess (6)
15 Fate no sailors follow (4)
16 Stranded in a field (7)
20 The last temptation is the greatest one, according to Eliot (7)
21 Just Simple Simon's proposed destination (4)
25 Soldiers join part of race to warm up again (6)
26 Sweet sticky stuff given by doctors to girls (8)
28 Just a little cunning about a clue (8)
29 The attitude of a golfer? (6)
30 So, having work inside, got up sleepy (8)
31 Cat initially taking it from bird (6)

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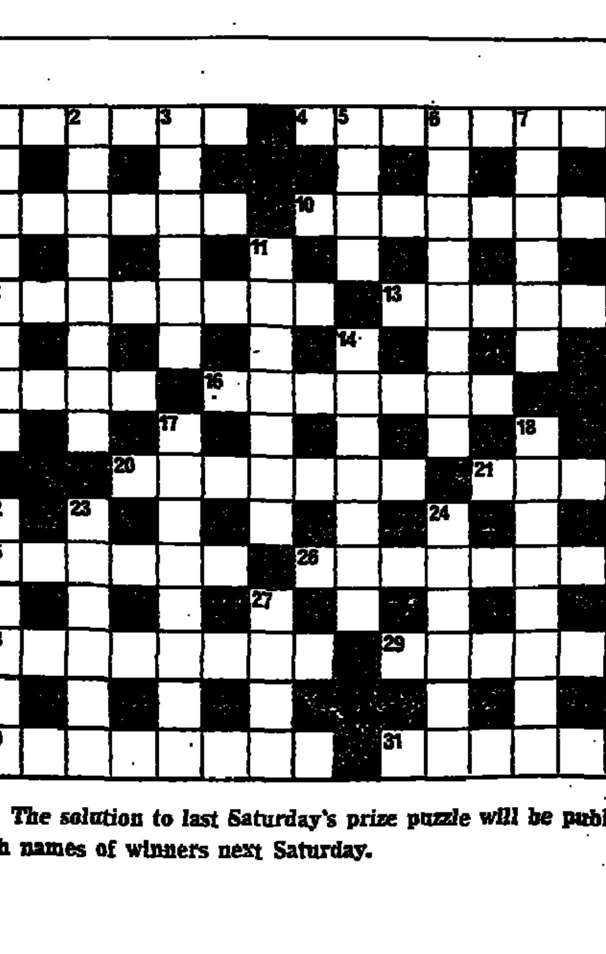
1 Pluto was an oceanic one (8)
2 Pig in fat left for a sailor (8)
3 Putting a clasp on your head could be attractive (6)
5 Sweet and sour? (4)
6 Regular uniform (8)
7 Small and cosy, and early enough (6)
8 Wander about to acquire a small ingenious device (6)
11 It's 14th June in the U.S., but in Aberdeen it's said to be unpopular (4-3)
14 Large aquatic mammal—a record fellow? (7)
17 A spell of exercise and rest (8)
18 Fish I catch in a basket (8)
19 Search for a chance of success (8)
22 Note upward slopes and turning points (6)
23 Bright pink dwarfish person (6)
24 Drumming a design on the skin (6)
27 Having an adverse handicap—that's positive (4)



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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Monday January 25 1982

The Finnish consensus

POISED BETWEEN the climatic rigours of the Arctic Circle and the chilly neighbourhood of the Soviet Union, Finland produces a tough breed of men and a tougher breed of politicians. Mr Urho Kekkonen, who resigned the presidency last year for health reasons after having towered over Finnish politics for 25 years, is a prime example.

At home he made use of the considerable prerogatives of his office to hold together an occasionally fractious group of political parties. Abroad he pursued a policy of so-called active neutrality. Its chief purpose was to preserve Finland, after two lost wars against the Soviet Union, as a Western, essentially capitalist democracy.

Trust

Doing so made it necessary to win and retain the trust of the Soviet Union by convincing Moscow that Helsinki was genuinely neutral in the political clashes between the Eastern and Western blocs. Realist that he is, Mr Kekkonen held that Finnish neutrality would not be worth much without that trust: credibility, he held, could not be achieved by unilateral declarations from Helsinki.

Mr Kekkonen built up a widespread national consensus behind that policy: all the candidates who mattered in the race for the succession were pledged to continue his kind of foreign policy. Clearly the Finns were not impressed by occasional jibes in the West that "finlandisation" is a half way house on the road to satellite status.

The outcome of the popular vote for the electoral college which will choose Mr Kekkonen's successor tomorrow supports their view. Barring the unforeseen, the choice must fall on the present Prime Minister, Mr Mauno Kovisto. Moscow would have preferred a man from Mr Kekkonen's Centre Party, because that was what it was familiar with. But the Soviet Union acquiesced in the verdict of the Finnish people, which was not frightened by Big Brother's preference.

At home, the widespread popular support for Mr Koivisto amounts to an earthquake. Never before has Finland had a Social Democratic president. Mr Koivisto's personal popularity is such that he gained 43 per cent of the votes—almost double the support which his party received in the last parliamentary election.

But the earthquake is minor. Mr Koivisto has described himself as a conservative Social Democrat. His party was at times infuriated by his financial orthodoxy as governor of the Bank of Finland, an office which he held before becoming Prime Minister. Moreover, the fragmented Finnish Parliament will require continued rule by a centre-left coalition: Mr Koivisto has rejected the option of dissolving parliament and trying to cash in on his personal popularity to give his party an electoral boost.

As in foreign affairs, therefore, Mr Koivisto is committed to continuing politics of consensus also at home. The indications are that Finland will remain true to the present formula of a market economy, with moderate interventionist elements.

Mr Kekkonen held that consensus together by forceful methods, bringing his authority to bear on quarrelling politicians and occasionally governing with cabinets having a strong technocratic rather than party-political base. Mr Koivisto is more of an intellectual and has given hints that he may relax the reins that Mr Kekkonen held so tightly. That may involve something of a gamble, but it fits the pattern of his own electoral success which was the product of movement on the political stage without shifting the essentials: active neutrality and consensus.

Friendship

Consensus politics are not inappropriate for a small neutral state which wishes to protect its independence and its democratic institutions. The Swiss practice it in their way; the Austrians in theirs. In Finland any serious ideological turmoil could eventually endanger the careful balance of the relationship with the Soviet Union, which might be described as friendship at arm's length.

Russian acquiescence in Mr Koivisto's success shows that, within limits, a small nation in Finland's exposed position can stand up to Moscow, preserving its liberty and a considerable freedom of movement. But, by definition, active neutrality cannot be merely inert. Mr Koivisto will have to work hard to preserve the Kekkonen heritage.

How business can help councils

ONE OF the best indicators of the state of company profitability in Britain is the level of noise and protest about non-domestic rates bills which, in the lean years, become the whipping post for all manner of ills from redundancies to bankruptcies.

The protests tend to diminish to the merest whisper in years of high profitability because rates—a tax which does not vary with profitability—revert to their more usual role of a relatively minor charge. In the current year shops, offices, companies and factories will pay out about £6bn in rates, representing more than the total Corporation Tax bill and a sizeable chunk of the year's thin profits. The clamour about business rates has been correspondingly loud and long.

It has been accompanied by the return of some old but seemingly immortal red herrings; complaints that businessmen do not have a vote (they, like everybody else, have one vote in all elections in the place in which they live); calls for the abolition, capping or centralising of non-domestic rates. A new development has been the increasing tendency towards challenging rate increases in the courts.

Effective

But behind all the noise and some poorly-informed debate about non-domestic rates some pertinent and effective initiatives have been evolving.

For some time the Confederation of British Industry, which published a useful businessmen's guide to local authority finance and expenditure, has been urging its regional offices to stimulate the formation of local groups to monitor local council spending and rating policies. These groups would, wherever possible, set up regular dialogues with councillors to thrash out the balance between services on the one hand and the rating impact on jobs and the local economy on the other.

Nevertheless, a wide gulf remains between large sectors of the business community, which often feels it is being ripped off, and some councillors who regard the non-domestic rate sector variously as a milch cow, an irrelevancy or peopled by folk quick to complain and slow to help or stand for election themselves as councillors.

This makes a recent experiment in Peterborough all the more interesting and important. Four local businessmen, with no knowledge of local authority affairs, suspected the city council might not be spending money as effectively as was possible.

With the local Tory MP, Dr Brian Mawhinney, as catalyst, they decided not to make a big noise at first but quietly in their spare time, to look at the council's services and expenditure items in detail. The Labour council leader, Mr Charles Swift, offered them co-operation and encouragement. The result was that after six months of work they had identified possible immediate savings of about £1m out of a £12m budget. Mr Swift accepted the report graciously, agreed much of the criticism was justified and promised urgent reviews and action to improve value for money in future. The businessmen, for their part, accepted that their inexperience may have caused some errors and some impracticable ideas for savings.

The point is that a fresh look at one council's finances has been taken by a small group with a strong local interest in all aspects of the city—rates, services, jobs and environment—in a spirit of goodwill and common objectives from all sides, politics being all but irrelevant.

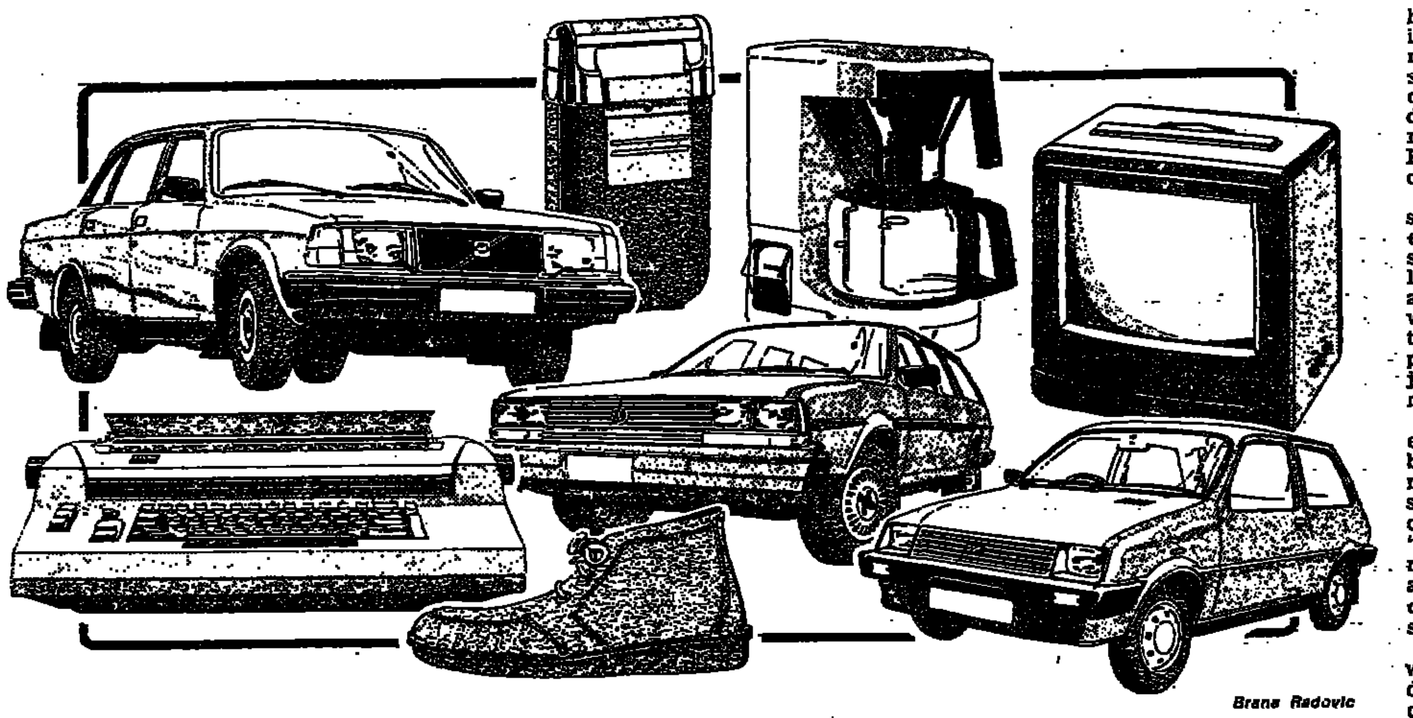
Elusive

Confidence and understanding between British businessmen and local councils is nowhere near the level which it has reached in parts of the U.S. In one American city, for example, commercial leaders told the authorities they would campaign actively for a higher increase in local taxes than had been proposed if the authorities would promise in return to use the extra revenue to improve the poor state of the public transport system. The U.S. is far ahead of Britain in the development of co-operation between public and private sectors. Four Peterborough businessmen and their City council may have edged us a little nearer a depressingly elusive goal.

INTERNATIONAL COMPETITIVENESS

Design: Britain's missing link

By Christopher Lorenz, Management Editor



Brana Radovic

Products of recognised good design: but how many are British? Top: Volvo 244DL, Braun shaver, Krup coffee maker, Sony Trinatron TV; Bottom: IBM Electronic Typewriter 60, Clarks' Polyveldt shoe, VW 1982 Quantum Wagon, Austin Mini Metro 1.0L.

A WEEK AGO the old boilerhouse of London's Victoria and Albert museum opened its doors to the public, revealing an Aladdin's cave of designs for consumer products: cars, ceramics, typewriters, telephones, airliners and petrol pumps.

The project has been financed, to the tune of £1m, by the irrepressible Terence Conran, chairman of Habitat and now Mothercare, who over the last 15 years has probably done more than anyone else to improve the great British public's awareness of good design.

Yet among all the exhibits from Germany, Italy, Sweden and the United States there is only one UK product, a mechanical Gestetner copier. It was designed in 1929 by an American.

The dearth of British products in the Boilerhouse will grow even more glaring as the year progresses. The current exhibition is to be followed by an in-depth look at Sony, after which comes the design policy of Braun, the German electrical appliances maker. Only in the autumn, before the opening of a display of Italian furniture, will Britain get a look in, through the story of the design of the new Ford Cortina—much of which was actually carried out in Germany.

This sad state of affairs is no mere reflection of the personal taste of Conran and the Boilerhouse director, Stephen Bayley. Nor is it a diplomatic attempt to avoid treading on the toes of the Design Council, whose London exhibition centre regularly features what is deemed to be the best of British design.

The policy of the Boilerhouse springs from precisely the same concern which has prompted Mrs Margaret Thatcher, the Prime Minister, to call a high-powered group of designers, industrialists, educationists, ministers and officials to Downing Street this evening for one of her now famous seminar-receptions. Many of the designers have been complaining that they are having to look overseas for too much of their work.

The first question on her agenda is "Why do so many senior executives in British industry fail to appreciate the wide-ranging contribution that design can make to a company's success?" It is followed by "What can be done about improving (their) awareness?"

The simple answer to both of them, as many of Mrs Thatcher's guests will tell her, lies in the whole social and educational structure of the country. In essence, the problem results from "the low esteem in which . . . everything connected with industry is still held in our culture," to quote Mr Patrick Jenkin, the Industry Secretary.

This attitude is rooted in at least 150 years of history, and will be extraordinarily difficult to change.

To ask why so many captains of British industry fail to appreciate the significance of design is tantamount to asking why they persist in failing to perceive what has made high-cost countries like Germany, Sweden and Switzerland and and, above all, Japan such successful exporters.

The "missing" link—which is so evident as to stare most of Britain's competitors in the face—is the fact that price is by no means the only determinant of success in international trade. Timely delivery of the product, its reliability, performance and (sometimes) appearance all play an equally important role in many markets.

In some cases the last three factors—which together constitute the product's design—are far more important than price. This can apply, for example, to textile machinery, where only 4 per cent of British companies questioned in a 1977 survey attributed their "buy foreign" decisions to price. Two-thirds claimed they were based on the machinery's superior "performance" or "quality."

An even more dramatic example, this time a rare one in Britain's favour, is the claim by Baker Perkins that its new line of high-speed, high precision biscuit-cutting machines is outselling the German competition, in spite of the fact that it is 35 per cent more expensive.

The fact that companies like Baker Perkins have been few and far between was already clear in a National Economic Development Council study five years ago, which showed that the British engineering industry "tends to turn out products of lower unit value than Germany or France," but to import relatively high-value goods. Analysis of the value per tonne of exports versus imports suggests that this trend is accelerating, in the wrong direction for Britain.

This is the dry statistical background to the reason why Mrs Thatcher has called the meeting at Number Ten. The anecdotal evidence behind her concern is more graphic. One working party after another has expressed its concern about inadequate product quality and design over the past few years, but the full extent of what has happened to the British presence in those markets will be underlined by the Boilerhouse in its next three exhibitions: consumer electronics, small domestic appliances, and cars.

In the first two it has been whittled away by the Japanese and Germans to a few honourable mentions, and in the third only the Metro and the Land Rover range hold out much hope at present if one discounts Ford (the non-U.S. end of which is a model for effective product design).

> **Mrs Thatcher tonight is holding a seminar to discuss Britain's design failings**

In every case, design has played an increasing part in a company's worldwide strategy. Once a low-priced supplier, Sony has captured an ever larger market share over the years by improving quality and design, and then pricing itself at or near the top of the range. The import penetration of Braun and all the other German makers of small electrical appliances has been achieved from the very start on the basis of quality and design.

The same applies to Volkswagen and Volvo, and the attraction of Japanese and French cars is by no means just their price. BL has learned this lesson, as the quality of the Metro so clearly shows, but its conversion may have come too late to rescue the company.

BL is not the only national name that has shown what better design—combined with marketing, manufacture and all the other aspects of managing a business—can do to its market share and profitability. The range of new designs belatedly introduced by the old Alfred Herbert machine tool company a few years before its death is now making respectable profits for the entrepreneur who rescued its rump.

In shoes, though it has by no means spared the pain of job cutbacks, Clarks has avoided the terminal fate that has befallen so many of its former UK competitors by going upmarket with technical innovations and unusual styling. One of the few bright lights in small domestic appliances is Redring, a GEC subsidiary, which has captured over 12 per cent of the UK kettle market in just one year with a revolutionary plastic jug-type device, the Autoboil. And back in the motor industry, Lucas CAV has gained a world lead, and a market share to match, with its innovative Microjector diesel fuel injector.

Such cases are not hard to find, and are usually well-publicised. So why, even in the face of design-intensive foreign competition, are there so few emulators?

The short answer is that appreciation of the importance of the characteristics of a product has been hampered by Britain's social and educational system. For over a century and a-half they have elevated the "classical" (or "liberal") attributes above the practical ones of the application of technical knowledge.

The educational legacy of Thomas Arnold and others militates not only against engineering design, but also against its visual aspects. As Mr Jenkin says: "So long as schools teach that it is more meritorious to paint a picture or carve a sculpture than to design an artifact for the market, for so long will we continue to fight an uphill battle to seure better design in British industry."

In other words, whether you are talking about biscuit machines or glossy retail displays, it is generally considered infra-dig in Britain to believe—along with many German, Swedish and Japanese companies (and apparently Baker Perkins)—that "the product is paramount."

Even if this were not the case, it would be easier for design consultants, the government, or other interested parties to persuade the unconverted to give greater priority to design if it were not for confusion over the very meaning of the word.

"Our work is not solely concerned with tarting up the control panels of washing machines, or with producing umpteen alternative colour schemes to rejuvenate a 1973 vacuum cleaner," says Mr David Carter, head of one of the country's leading design consultancies and one of Mrs Thatcher's guests. "Much more typically, we are involved in technologically complex products and we work in a wide range of disciplines."

Yet if you ask the average company director what he understands design to mean, he will either refer deprecatingly to "putting pretty boxes round things" (styling, or so-called "industrial design"), or talk about "getting the product's technical performance right" (engineering design). He is unlikely to talk in terms of a combination of both.

So long as this confusion persists, even the most receptive executive will fail to understand what the Japanese have learned so well, that design is a multi-disciplinary process which must be managed from the top, rather than left to a particular function so that projects run into inter-departmental barriers.

Overlaying all these social, educational and organisational barriers to corporate investment in better design are several economic factors. Most obvious is the argument that "we cannot afford to spend money on risky design projects and expensive re-tooling in the depths of an economic recession."

To which the enlightened would reply as follows: that design is one of the best ways of differentiating your product in a recession; that a better design can often be cheaper to make than its predecessor (20 per cent in the case of the biscuit cutting machine); and that the risks of undertaking a project must be set against the risk of doing nothing, and perhaps seeing the Germans and Japanese kill your existing product stone dead.

As for the old arugment that good design does not sell in Britain because the consumer lacks either discrimination or disposable income, this scarcely squares with the way that the British public rushes to buy premium-price Sony televisions and Volkswagen cars!

So what can be done to win over the massed hordes of "unenlightened" industrialists? The most far-reaching proposal which has been canvassed is to attempt a social revolution by making design part of every child's general education, and also to introduce it into the business education curriculum (a step being contemplated by the London Business School).

Of a more short-term nature are suggestions for a government-funded awareness campaign, along the lines of the microprocessor awareness project; this could perhaps be administered by the Design Council, which would also doubtlessly welcome the restoration of recent cuts in its grant.

The Department of Industry favours the use of public sector purchasing power to improve the standard of design, but as it has already found, this is a procedural nightmare. There is also considerable departmental momentum behind the idea of a German-style national product approvals system. But most industrialists are likely to agree with Mr James Pilditch, head of Allied International Designers and another of Mrs Thatcher's guests, that "national catalogues of approved products and approved lists of manufacturers are death to innovation, change and progress. The only worthwhile judge is the consumer."

Men & Matters

The light of Mrs. Thatcher's life

Forget the Iron Lady image. All those photographs of Mrs Thatcher with ramrod back and head held high embody not so much her political resolution, as we had always thought, but a hitherto-private passion for lamp-posts.

It was to a group of schoolchildren just before Christmas that the Prime Minister let her secret slip. As she travels round Europe "or wherever I have been," she gazes up at the local street-lighting, to decide whether it has been well or badly designed.

You will find discussed in a feature to the north of this column the nature and depth of Mrs Thatcher's interest in design, expressed in the gathering at Number 10 tonight. It dates back, I gather, to a lecture on that subject which she attended in London's Royal Court theatre some 30 years ago, shortly before she became an MP.

Fired with enthusiasm for things which not only work well but also look good, she has been applying those criteria to lamp-posts in particular ever since.

Out of office

I was about to say that the Institute of Directors takes a catholic attitude towards what its employees do on their days off—but that, come to think of it, might not be exactly the right word to describe David Burnside's work on behalf of Northern Ireland MP Ian Paisley.

Eagle-eyed industrialists may even have spotted Burnside, the IoD's director of Press relations, on television last week, speaking at a Press conference held in the U.S. to support the "exiled" Paisley's campaigning in Canada.

Burnside has in the past been closely involved with Northern Irish politics, and from his London base still takes a keen interest in the Unionist cause.

The IoD is quick to point out that Burnside's American trip was undertaken "in his own time." Not my idea of a holiday—but there, as they say, you go.

Herr styling

East German scientists need "more courage to take risks" according to one leading member of that fraternity giving an interview recently to mark his 75th birthday. The country understood perfectly how to motivate young people towards sporting success, he went on to say. Why could similar techniques not be applied to science and industry?

While hardly qualified to enter such a debate, I would venture to suggest that whatever may be lacking by way of scientific motivation, a shortage of titles is not part of the problem: as I am sure the distinguished interviewee, Professor Dr. R.E.R. Nat. H.C. Dr. Med. H.C. Manfred von Ardenne, would agree.

Advance notice

"As we enter the year of the London Multi-Media Market," chirps a Press release which arrived on my desk over the weekend, ". . . the organisers report that plans are ahead of schedule."

They sure are. The release is dated "20th September 1982."

Going courting

Some of the countries wooing Mexico for a share of a projected $30bn investment in nuclear power are cutting no corners when it comes to salesmen.

Prime Minister Pierre Trudeau was in Mexico earlier this month to put Canada's claims. Now Sweden is sending its King and Queen. Industry newsletter Nucleonics Week quotes an ASEA-Atom executive in Stockholm saying, no doubt rightly, "we are the only bidder with the help of a royal couple—and a queen who speaks fluent Spanish."

"As it was Mrs T who sold monetarism to President Reagan, she is responsible for the Yanks' not being able to afford to buy them now."

Fed up

As they dug into the fish, chips and lager provided during the weekend talks on the rail dispute, I wonder whether any of the longer-serving negotiators for the National Union of Railwaymen cast their minds back to the halcyon days of 1966, when things were handled rather differently.

Talks then on a national rail strike were held in Downing Street, a plusher venue than the offices of the Advisory, Conciliation and Arbitration Service (Acas) being used this time round, and Prime Minister Harold Wilson was at the helm.

As the 1966 discussions dragged on, staff at Number 10 were asked to prepare the traditional sandwiches to accompany the equally traditional beer. Mrs. Wilson, the secretaries and the housekeeper set to—but even when all the bread in the Number 10 larder had been used up, the negotiators, like Oliver, still cried for more.

Philip Bagwell recalls in his newly published history of the NUR how a member of the PM's staff was then despatched next door to Number 11 to commandeer the sleeping Chancellor of the Exchequer's one remaining loaf.

That, though, was not enough. Eventually, one of the journalists waiting outside the negotiating room was sent off to the nearest railway station buffet to buy up its entire stock of sausage rolls—which finally did the trick. Even the NUR could not stand up to the threat of more BR catering and called off the strike by 13 votes to 11.

Unpresidented

French Prime Minister Pierre Mauroy was visiting Colombey-les-deux-Eglises one day, and decided to have a look at General De Gaulle's grave. As he approached the spot, he heard a ghostly subterranean voice call out to him "Mauroy, Mauroy, bring me a horse."

Mauroy was so shocked that he rushed immediately to the Elysee and told an incredulous President Mitterrand what had happened. "Come back with me, hear it for yourself," gasped Mauroy, "then you will know it is true."

The two men returned to De Gaulle's grave, and the booming, crusty voice was heard once more: "Mauroy! I said a horse, not an ass!"

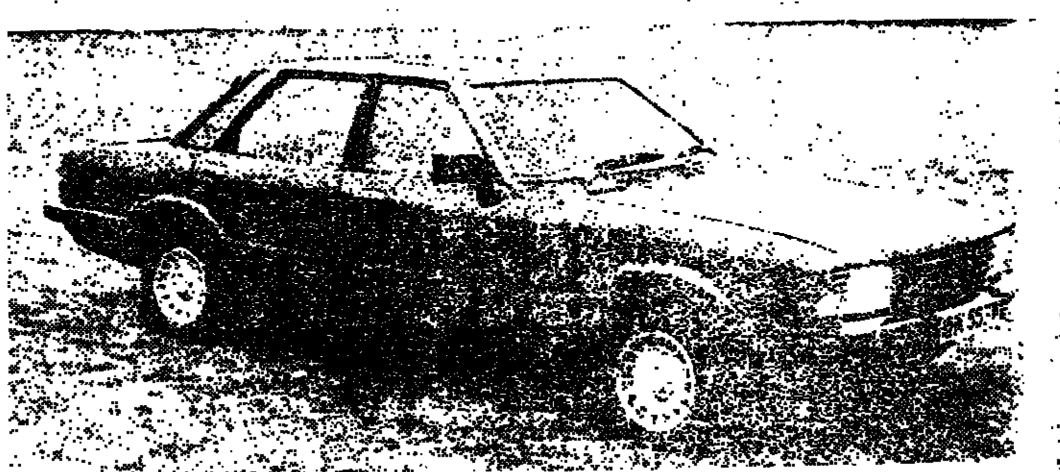
Observer

FINANCIAL TIMES SURVEY

Monday January 25, 1982

Vehicle Fleet Management

As the fleet transport industry struggles to survive the effects of the recession on trade, two rapidly developing areas—contract hire and distribution—appear to hold out the greatest hope for sustained long-term growth in the commercial vehicle sector.



The new Ford Cortina-Ghia is at the top of the best-selling Cortina range. More than one in every ten cars sold in the UK is a Cortina but in October its successor, the Sierra, will be launched.

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Editorial production by Catherine Darby, design by Phil Hunt

Pressure to control operating costs

BY LYNTON MCLAIN, TRANSPORT CORRESPONDENT

THE MIND of almost every transport manager of small and large fleets of commercial vehicles and of cars has been concentrated as never before in recent months while companies have searched for ways of surviving in the face of the worst sustained slump in demand for trade and transport services most of the managers dare to remember.

Only two types of fleet transport managers would care to take a different view: the born optimists—and there are a few of those in the industry—and the managers of the rising band of companies specialising in exploiting the misfortunes and inefficiencies of other transport operators, to the mutual benefit of all concerned.

These companies offer industry the benefits of contract hire of cars and commercial vehicles, and, in a more recent development, contract distribution. In its ultimate form, contract distribution can involve the specialist transport operator taking over the entire vehicle fleet of another company as a way of releasing capital and easing cash flow for a customer whose financial position has been shaken by the effects of the recession.

This new form of contract hire arguably holds out the greatest hope for long-term growth and stability in the commercial vehicle sector, where so far it has found its main role. If this proves to be the case, it will be a supreme irony that this versatile and mutually-beneficial business came to light in the depths of the worst recession since the 1930s

The slump in trade in almost every manufactured product for industry and the domestic consumer, apart from the food sector, has shaken the road freight transport industry to its core. An estimated 15 per cent to 20 per cent of all commercial vehicles operated by the public-sector haulage contracting industry have been off the road for 12 months, laid up for lack of work, and with few willing takers in the second hand market.

Depreciation

In the company car sector, its costs and benefits to staff and management have been scrutinised more closely than ever. Depreciation periods have been examined and lengthened where they have been deemd to be uncomfortably-short in the gloomy trading climate of low revenues and lower profits.

High interest rates have done nothing to help to boost sales of fleet cars to the main customer companies those with large sales forces, high numbers of mobile maintenance personnel, and companies involved in business spread over wide areas.

The recession, however, has hit hard at the manufacturers too, and car and truck makers have often made wildly uncommercial deals with potential fleet owners, often enticing sales with offers of zero interest on large orders.

This has helped to cut large vehicle stocks held by the manufacturers and has helped to boost morale in those companies who decided to invest in new cars near the bottom of the recession.

The hope of those companies is that they could soon see benefits from an investment that can only cost more—whatever the form of financing involved—once the recession has lifted, as according to conventional economic wisdom it must.

The range of options for financing car and commercial vehicle fleet acquisitions is as wide as ever. It covers outright purchase, hire purchase, rental, contract hire, leasing, and the developing financial tool of contract distribution

These arrangements can be made direct with the vehicle manufacturer, through an offshoot of the maker, through specialist rental, contract hire and leasing companies, or through the banks and finance houses.

A further tier could involve the many management service companies which deal with operators of fleets of cars, trucks and vans, advising on finance, the best way to manage maintenance schedules and car-pooling schemes.

Outright purchase has the obvious benefits of giving the customer full legal ownership of the vehicle or fleet of vehicles. Cash, either from internal company funds or borrowed at market rates is also an obvious requirements.

Mr Brian Hayward, group managing director of National Carriers, part of the soon-to-be-denationalised National Freight Company, listed some of the disadvantages of owning outright commercial vehicles in a recent paper to distribution managers at a conference organised by the British Institute of Management's Centre for Physical Distribution Management.

Licence

By law, the owner must have an operator's licence, the "O" licence which has a string of statutory requirements attached to it. These include keeping tachograph records of drivers' hours, keeping vehicle records, maintaining lorries in a safe condition, ensuring that vehicles are not overloaded and arranging for regular safety inspections, Mr Hayward said.

These represent the time and money-consuming responsibilities of direct ownership of commercial vehicles. However, these "difficulties" may be more than countered by the increase in the asset value of the company through the outright ownership of the fleet of vehicles. Capital allowances can also be offset against taxable profits where these are large enough to take full advantage of the deduction.

Hire purchase gives the operator the legal title to the vehicle or fleet, but the assets are purchased by the finance house involved. The principal and interest are paid back by the operator on a regular basis. Capital allowances are the same as for outright purchase and changes in interest rates do not affect the sums involved.

Under leasing arrangements, the legal title to the fleet remains with the leasing company. Although leasing has similar advantages to hire purchase agreements, the advantages which brought leasing to prominence in the 1970s largely came to an end with the Finance Act, 1979. This brought the rate at which capital allowances could be charged on leased cars into line with the rate for cars bought outright.

Nevertheless, for companies which have used all their liability to tax, leasing still can be attractive.

It is in the field of contract hire, however, that the benefits for the industrial customer and the growth for the fleet supplier has started to become apparent in a big way.

Under contract hire, a form of medium term leasing, the legal title remains with the hiring company. Mileage and the period of the contract determine the scale of charges. These will usually be regular, allowing tight budget control by the customer.

Ford Motor Company is convinced that there has been a "*distinct movement*" *from* finance leasing to contract hire, especially since mid-1980.

The company said recently: "In the late 1970s open-ended leasing (which allows a lessee to end the agreement on payment of an agreed figure at any time after a fixed initial period) and balloon leasing (low rental payments over a period, followed by a large pre-set final payment to pay off the forecast residual value of the vehicle) were very attractive because of the low monthly rentals.

"However, as used-vehicle residual values have been falling steadily since mid-1980 *there has been a distinct movement* from finance leasing to contract hire. The trend has hardened because of increased vehicle maintenance and repair costs."

Ford believed that continued uncertainties over vehicle residual values *and forecasts of* double-figure inflation in 1982 "will increase the desire for controlled vehicle operating costs and ensure that contract hire continues in demand."

The most comprehensive and potentially beneficial form of contract hire, according to some of the larger fleet operators, is contract distribution and ultimately full takeovers of industrial vehicle fleets by the specialist companies. This is *likely to appeal to industrial* companies in need of capital and anxious to improve cash flow by paying for its transport *needs out of revenue.*

Mr Peter Thompson, the deputy chairman and chief executive of National Freight, said late last year: "The trend towards fleet takeovers has grown during the recession, when the bite of distribution costs into margins has come increasingly under scrutiny.

"I would expect this trend to continue throughout the 1980s and with the increasing need to examine margins in a depressed British economy, we regard fleet takeovers as being a happy hunting ground for our companies. And, of course, a financially happy outcome for the customers concerned."

VEHICLE FLEET MANAGEMENT II

Business opposition slows up attack on fringe benefits

IT IS still highly tax efficient for employers to pay their employees partly by giving them a company car. The government announced its intention to undermine the advantages of the car as a fringe benefit shortly after it came into office. However, there has been considerable opposition in business circles to any sweeping changes and the Government has been forced to make haste slowly.

The company car is probably more popular in the UK than in any other country. The fundamental reason is that there are major tax advantages for an employee in having the use of a car owned by his employer, rather than owning his own outright.

The car owner must pay for the capital and running costs of his vehicle out of taxed income. But if an employee uses a company car for private motoring he will, at worst, be assessed on a scale still well below the true cost of running a car, even after the scale is raised at the beginning of the 1982-83 financial year.

So even if the employee's salary is reduced by the true cost of having a car provided, he will have substituted a low-taxed benefit for highly taxed marginal income. For many employees — those earning less than £8,500—the benefit is completely untaxed.

The attack by the Government on perks of all kinds was first launched in August, 1979. When the Conservatives first came into office, one of their major concerns was to improve market mechanisms right through the economy. The case against fringe benefits was spelled out by Sir Geoffrey Howe, the Chancellor, when he said: "Perks are an inefficient and often wasteful way of rewarding effort. And unjust. Some perks are taxed in full, others pay no tax on identical benefits. The whole chaos might almost have been designed to set people enviously against each other and so to bring our system into contempt."

Curbing perks

The motor car, and associated free fuel benefits, was the main target of the Inland Revenue's August consultative document which suggested ways that the perks system could be curbed. This was because the Revenue found that car benefits represented about 80 per cent of the total value of fringe benefits. The Revenue argued that fringe benefits distorted the workings of the employment market and resulted in loss of tax income for the Exchequer.

But there was a vigorous counter-attack from, among others, the Confederation of British Industry and the Institute of Directors. So the Government was forced to climb down. In the 1980 Budget there were few actual changes to car taxation. Instead, the secondary benefits of interest-free loans and perks such as TV sets received attention. In the subsequent Budget in spring 1981 more was done, with the scale rate raised by 20 per cent in each of the two subsequent financial years and petrol benefits brought into the net. Furthermore the rules on what constitutes business mileage were tightened.

The main problem for the Government in trying to tax company cars as a perk has been that for some employees the car is not a fringe benefit, but a necessary "tool of the trade." Company reps and salesmen fall into this category. It is generally estimated that about 70 per cent of new cars are sold for business use. About half of these are used as "tools of the trade," it has been reckoned, with the other half falling into the fringe benefit category.

It is not necessary to use scales or any other formula to tax the fringe benefit part. In most other developed countries employees are taxed directly on the benefits of the private mileage in a company car. This is usually done by establishing the proportion of private to total mileage and assessing the benefit as this proportion of the overall standing charge and running cost of the car.

One of the reasons the British Inland Revenue switched from this kind of system in 1976 was that the number of company cars was growing so fast some kind of formula was thought desirable for administrative simplicity. In fact what research has been done on this topic suggests that the company car system is more popular in the UK than anywhere else.

After the two rises announced in the last Budget, the scale benefit of having the use of a car less than four years old of between 1301 cc and 1800 cc is £360 in the 1982/83 financial year. For cars with smaller engines the scale is £270 and cars with bigger engines costing less than £11,500 have a scale rate of £540. Cars with an original market value of between £11,501 and £17,300 have a rate of £780 and more expensive cars than this £1,260. This scale applies to all directors and employees earning more than £8,500.

These rates are reduced by half when there is substantial business mileage—a level quantified as 18,000 miles a year with effect from April 6 1981. At the same time a cut-off was laid down for insubstantial business mileage. If the car is driven less than 2,500 miles a year for business the scale rate is increased by 50 per cent. Where the car is not available for a period, more than 30 days in the year, the scale rates are reduced proportionately.

Moreover in the coming financial year free petrol benefits are to be taxed for the first time. The Chancellor warned at the time of the 1979 Revenue consultative paper that the provision of free petrol was a rapidly growing practice and that if it did not abate he would take steps to tax it. So it came as little surprise when in the 1981 Budget he announced that the practice was still gaining in popularity and accordingly free petrol would be taxed on the basis of scale rates.

In fact the rates announced equate exactly to those used for estimating the benefit of having a company car. However, there is no distinction made for cars which are four years old or more, nor for cars worth more than £11,500. The halving of the scale applies where there is substantial business use, as does the proportional reduction when the car is not available for a period. However, there is no increase in the rate where there is insubstantial business use. These provisions do not apply to petrol used in an individual's own car or a hire car, where the normal benefit in kind legislation applies.

The Government had also announced that it planned to make a major change in the coming financial year in the way the tax was collected. The plan was to require employers to add the value of the benefit to employees' wages each pay day and deduct income tax under the Pay-As-You-Earn system.

However, there were strong protests at this suggestion from employers and, accordingly, the Government withdrew the proposal two months ago, stating that it would amend the relevant legislation in the latest Finance Act. So the Inland Revenue will continue to operate by taking account of benefits in determining employee's code numbers.

David Freud

COMPANY PROFILE Mann Egerton

MANN EGERTON Vehicle Contracts, a wholly owned subsidiary of Mann Egerton, itself part of the Inchcape group, is a contract hire company formed in 1960 which offers fixed-term leasing, or contract hire, over one, two or three years.

Vehicles are available with or without maintenance and MEVC pays special attention to smaller fleets, running up to 50 cars, in addition to dealing with companies operating several hundred vehicles.

Its pre-delivery inspection control points are in London and Norwich and its accredited service network has 4,500 service outlets.

Mr Archie Mitchel, managing director of MEVC said the company had two primary objectives — specialisation and service. "With a precise target market we are able to tailor our service market more accurately than our competitors."

Recent trends, he said, were for three year agreements, thus customers get the benefits of a longer fixed rate while the company is able to get residual values of vehicles down to more manageable levels. Some 200 used cars are sold by MEVC every month at its two disposal points in London and Norwich.

"Residual values are the key to success in the contract hire business. Two or three years ago most of us got our sums wrong. The extent to which we got them wrong will determine to a large extent the competitive stance of these companies who remain in the industry."

"A lot of people are waiting for the recovery. I do not think there will be any dramatic recovery in 1982 but we would hope that the used car market has now bottomed out," he says.

MEVC, which operates some 5,100 cars, compared with 4,900 a year ago, has not observed any marked trend towards customers moving down in car size. The bulk of representatives it supplies still run Cortinas.

Lisa Wood

COMPANY PROFILE Avis

AVIS, one of the leading names in car rental and vehicle leasing, is undertaking a £20m investment programme in new vehicles in the belief that demand will return to more buoyant levels this year.

The company said: "The recession appears to have flattened out at last. The trend is upwards and we are doing better than seemed possible a few months ago."

One of the factors which contributed to problems last year was a fall in tourist arrivals in the UK—down 17 per cent in July and 14 per cent in August—but Avis is acquiring 200 Ford Fiestas, Cortinas and Granadas in anticipation of a strong upturn.

Next month it takes delivery of a number of Vauxhall Cavaliers, and believes it has laid the ground for growth with the establishment of 12 new outlets. It has also introduced a rail drive network at 40 stations, based on an advance booking system.

Moves by Avis to improve vehicle services include, the introduction of Rental Express, to cut down waiting time caused by paperwork, and the removal of a surcharge on cars taken abroad. It has also introduced new unlimited mileage rates on cars booked for more than three days, while special lower rates are offered on vehicles rented for more than 28 days.

Mr Brian Dix, director of marketing, said: "An exciting development for 1982 is that from April 1 we are becoming the exclusively preferred car rental contractor worldwide for British Airways."

Last year proved difficult, however, for Avis's truck operations, but the company nevertheless experienced an increase in contract hire business. "As a result of the economic situation, industry turned increasingly to contract hire for two to five year periods," Avis said.

"Customers were glad to be able to pass on the responsibility for heavy Government and European Community regulations such as tachograph and type approvals, to the lessor rather than personally spending time sorting them out."

Of car leasing, Mr Ron Williams, Avis's marketing manager, said: "Any remaining stigma of being an industry with overt tax advantages has disappeared. Leasing is able to be seen more clearly for its own general benefits."

He believed that finance leasing was losing ground and that there was a continuing trend towards the specialist car leasing company. "Our car fleet grew each month in 1981 and will grow faster this year."

Lorne Barling

The company car: more of a tool, less of a perk

THE COMPANY car, which in the Sixties and Seventies began to be almost automatic a part of the middle management staff package as one of the staff dining room, is now something more perk and more grudgingly given.

Although the market has moved round for a variety of reasons it is essential to differentiate between at least three types of company passenger car user. There are cars which business cars, which would include salesmen, maintenance personnel, police and social workers; there are the "semi-perk" cars which are available for heavy private use; and there are the basic fleet cars which sit (if not well managed) in the company car park for occasional use by a large number of employees.

It is this last sector, the corporate car pool, which has come under the greatest pressure over the past few years. It has been the major target area of the cost control companies and, at the same time, been an obvious area for attack by cost-cutting boards.

With car capital investment so high, interest rates so burdensome, and maintenance problems so difficult to overcome, fewer and fewer companies seem willing to have automobile hardware standing around in the car park.

The car rental groups have found it relatively easy to kill off the car pool, particularly now that most of the bigger ones have car guarantee schemes for regular customers. They themselves offer the same facilities as the company pool without the problems which the managers of the single figure, intermittently used fleet face—even down to who cleans the ash trays.

Today the argument against company pool cars grows constantly stronger. The rental groups are cutting each other's throats at the moment in the campaign for corporate business, so that increasingly managements are taking the view that it is better someone else's financial blood than their own.

The company car in the normally accepted British use of the word is a somewhat different kettle of fish. Here the arguments in favour of them tend to have as much to do with psychology and taxation as the provision of transport. The use of company cars is a deeply ingrained part of the UK management system, encouraged by most Governments until this present one and owing its existence partly to the perceived need for keeping a good market for British cars.

Fleet managers, unlike private car users, tend to buy domestic models.

The private motorist may find this affection for home-made models strange but it is usually due to sound commercial reasons—in Britain at least home-made cars tend, say the fleet operators, to be cheaper to maintain and have a higher retained resale value.

Home produced

The psychological element, of course, comes into the picture more where there is a reward element in the provision of a car but still the indications are that fleet managers prefer to see home-produced steering wheels in the hands of their executives.

The real heartland of the fleet car market is, of course, the bread and butter business of salesmen, the car rental companies themselves, Government departments and the thousands of other people for whom the car is neither whim nor perk, but an essential tool of the job.

For managers in this field life has become decidedly more complicated over the last five years. Costs have escalated, the gap between car purchase prices and eventual sales price has widened, interest rates soared and corporate treasurers are looking with a much meaner eye upon the activities of such money-spending areas as travel and transportation.

It is difficult to say which is the most crucial of these factors, but there is little doubt that the sheer price of cars is proving a major burden for companies. A fleet of 500 vehicles represents an investment of around £3m, even if the choice has been made at the lower end of the price scale. It is hardly surprising that more and more companies appear to be extending the working life of the vehicles in hope of putting off the evil day of facing the gap between sale and renewal price.

The one good aspect of all this, and one which is helping fleet managers in their attempts to stretch the working lives of the vehicles, is that cars are increasingly more reliable. The machine that once could be expected to give perpetual trouble after a year or 20,000 miles, can now be expected to go on for much longer, provided it is carefully maintained.

Nonetheless secondhand car markets the world over are sluggish to say the least and the fleet manager rapidly finds that it is no longer simply a matter of finding a discount price for his new vehicles: he has at the same time to ensure a favourable sale, or any sale at all, for the car he is trying to get rid of.

It is hardly surprising therefore that in the larger fleets there seems also to be an increasing trend towards smaller cars and to conventional cars—both being at the more popular end of the secondhand market.

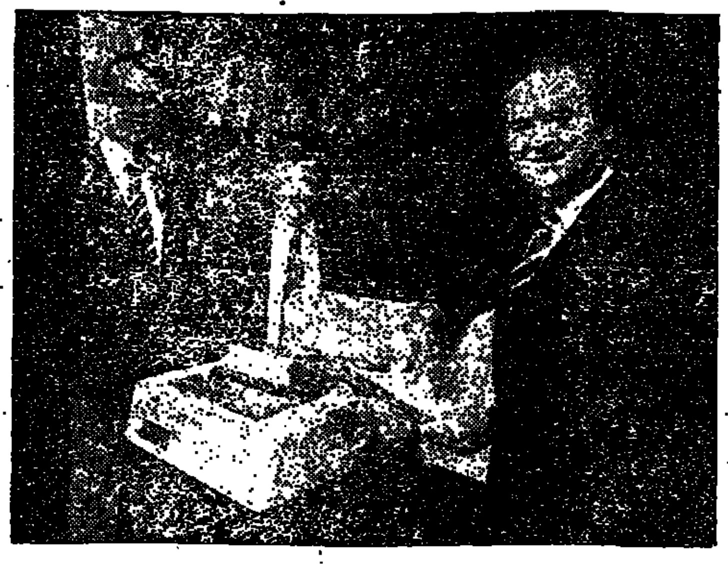
A sophisticated large car can usually be expected to lose value more quickly than one which may be bought, secondhand, by a family and possibly even serviced at home for the rest of its life.

Only a few years ago it was a rare fleet manager who had to get involved in all this. Secondhand cars had a ready market and the price gap was relatively narrow. Money—even at 10-12 per cent—would in today's terms have been considered cheap. In those times the fleet owner could afford to indulge the occasional whim of particular staff.

There is little doubt that companies today want to see their lives made less complicated, and less expensive, than they have been in the past. So that unless there is a remarkable and rapid turnaround in world economics the present trends are likely to continue.

Now that even the glossiest of cars are under inspection by hard-pressed boardrooms the car rental groups are turning their attention more and more to that market too—Britain's Swan National launched its all-Jaguar fleet this month. The writing may not be on the wall for the company car, but it is increasingly less of the icing on the employment cake and more and more a bread and butter tool.

Arthur Sandles



Mr Chris Kelly, managing director of Hertz (UK), and Mr Richard Kirkman, vice-president and general manager, and Mr John Hambly, sales and marketing director, both of Hertz Europe, with a print-out from Hertz's booking system which was computerised in Europe this month

COMPANY PROFILE Hertz

DESPITE the recession and the ever increasing competition in the car hire and leasing markets 1981 was a relatively good year in Europe for Hertz, the U.S.-owned multinational.

Hertz Europe, including the UK operation, achieved a 30 per cent increase in revenue and a 10 per cent volume increase during the year. Detailed figures for the UK operation are not yet available but Hertz say they are in line with the general European performance.

One area, commercial vehicle contract hire, proved unprofitable because of the "suicidally low tariffs" charged by vehicle rental competitors.

In December, Wincanton Vehicle Rentals, part of the Unigate group and one of Britain's fastest growing specialist transport groups, took over Hertz UK's commercial vehicle contract hire fleet.

This was the second time in less than five years that Hertz had sold this part of its business. The fleet was sold to Godfrey Davis, the vehicle hire and rental group, in 1978 but a year later Hertz began trading in contract hire again.

The largest aspect of Hertz's activity in the UK remains its car hire although Hertz, a subsidiary of the RCA Corporation, is the largest retailer of secondhand cars in the world.

Over the last three years the structure of car fleets has changed with greater emphasis on smaller, more economic cars, although there is still great interest in chauffeur-driven luxury cars.

Tariffs were brought down by Hertz last summer, at the height of the season's car rental battle, but the company was the first of the big rental companies in this country—which include Avis, Europcar and Swan—to increase prices during December.

However, Hertz says its tariffs are more competitive with the introduction, in line with U.S. policy, of unlimited mileage after two days. And more efficient with the introduction of a computerised booking and check-out system.

Last year Hertz opened 14 branches in the UK, bringing the total to more than 80, after cutting back branches in the mid 1970s.

L. W.

Wider choice in ways of financing fleets

A COUPLE of years ago there was one obvious solution for any company considering how to finance a fleet of company cars—leasing. Not only was leasing a way of borrowing money over a period, but the different tax rules on leasing a car or buying it outright were heavily weighted in favour of the former.

This is the reason car leasing took off between 1976 and 1979. Since then the tax rules have been more or less equalised and companies once again have a wider effective choice on how they finance fleet purchases. This can range from outright purchase, to hire purchase or leasing. And of course there are a variety of ways to fund an outright purchase — either through raising money in a bank loan—short or long, issuing debentures or even raising fresh capital.

Commercial vehicles now have considerably more favourable tax treatment than cars, with 100 per cent first year capital allowances attached to them, whether they are bought outright or leased. (However, cars still qualify for the 100 per cent allowance when obtained for business hire.)

One of the original attractions of leasing was that capital items could be purchased "off-balance-sheet." Neither the item nor the associated contingent liability of paying rental appears on the balance sheet, so a company can appear less geared than it might if the item was included. However, this benefit can no longer be counted on since an exposure draft has been released by the accounting bodies, which proposes that leased equipment is put back on to the balance sheet.

Assets

About 70 per cent of all new cars are purchased outright by companies and the vast majority are still self-financed with leasing and contract hire accounting for somewhat less than 20 per cent. This is a small proportion in comparison with the U.S. where up to 80 per cent of company fleets are non self-financed.

The popularity of leasing has been based on the tax system, which after 1972 allowed buyers of assets to claim 100 per cent relief in the year of purchase. Businesses such as banks, which would not normally buy anything like sufficient assets to match profits for their own use, soon began to buy assets and pass them over for the use of manufacturers and others through a leasing agreement.

In practice this meant the investment incentive was shared, through the rates, between the lessor who was deferring his tax liability until he has to pay tax on his rental income (which he could use to finance further leasing deals) and the lessee for whom the rental would be much less than the interest rate burden of buying outright.

The growth rate for all leased assets is indicated by the figures of the Equipment Leasing Association, whose membership is dominated by the big banks and which claims to account for up to 90 per cent of the market. In 1971 ELA leasing was £159m; by 1980 it totalled £2.4bn.

Within this total there has been a steady rise in the leasing of commercial vehicles. In 1977 the figure was £114m, rising to £267m in 1980.

Car leasing was originally slower to get off the ground. The way was cleared by two decisions of the special commissioners for taxation in 1975, which ruled that cars could be treated in the same way as other equipment. Combined with looser credit controls introduced in July 1977, this allowed car leasing to take off. From £6m in 1976, the ELA figure rose to £468m in 1979. Since then it has come down rapidly again, as the Government aimed at removing the anomaly whereby a leased car enjoyed a 100 per cent first year capital allowance and one bought outright only 25 per cent. This in fact took two Budgets—in 1979 and 1980.

Until the 1980 legislation cars could still effectively obtain a first year allowance higher than 25 per cent in leasing deals by being pooled with assets which obtained a 100 per cent allowance. However, the 1980 Finance Act killed this possibility. So it was no coincidence that ELA car leasing business fell to £343m in 1980, the latest year for which figures are available.

Tax treatment

The main outstanding area in which there is different tax treatment between leasing and purchase concerns cars costing more than £8,000. Above this level capital allowances available for outright purchasers tend to be more restricted than allowable rental payments by lessees.

With this exception, however, there is very little difference in terms of tax treatment between leasing and, for instance, hire purchase. So it is not surprising that the different forms of financing have tended to merge in this area and throw off many hybrids in the last couple of years, given the innovative nature of the industry.

Among the novel hybrids are lease purchase, while operational leasing has been gaining in popularity, in which the lessor provides a full management service.

Nevertheless, if a company has enough taxable capacity of its own, along with good specialist vehicle fleet management, it may prefer to purchase outright. Often this can be done within cashflow, especially where the level of business has been relatively stable over a number of years.

A bank is the first place companies turn to for outside finance. But, while an overdraft is suitable for short-term debt, it may not be the best option for an investment with a life of perhaps five years or more. So banks may direct customers towards term loans more directly linked to the life of the assets acquired.

A quoted company can try to raise capital directly from shareholders by way of a rights issue.

More acceptable, perhaps, will be the issue of loan stock convertible into equity after a period of years. This is a way in which companies can prevent debt dragging down their capital gearing beyond a definite period. However, recent issues of this type have not been sparkling successes. Nevertheless, it seems more likely that this device will be used than that debentures, a traditional form of debt financing that has been out of favour for a decade, will make a major comeback.

D. F.

VEHICLE FLEET MANAGEMENT IV

BL chases Ford's lead in UK car fleets

VOLVO Concessionaires, the Lex Group subsidiary which imports the Swedish-built cars, has the unusual policy of actually discouraging sales to fleets.

Any purchase of 10 cars or more by one company must have the approval of a Concessionaires director. "We are not in the business of supplying 200 or 300 cars to any company," says Dr Jim Maxmin, the managing director.

The reasoning is logical. Volvo has been tremendously successful—and profitable—in recent years by growing steadily but slowly, allowing time for the dealers to "grow" along with the business which last year reached a record 3 per cent of the car market in unit terms.

One of Volvo's main strengths is that its cars do not depreciate as fast as some of its rivals. Steady growth helps the company control the flow of used cars to the market and keeps up residual values.

Despite its aversion to sales to big fleets, most of Volvo's big cars are sold to business users, often owners of small businesses. There are the occasional supplies to big fleets—the Avis car hire company has 100 Volvos in Britain.

All the car companies operating in Britain make attempts to capture some business-user sales because the company car element in vehicle registrations in the UK is such a large one.

When it comes to big fleet business, two elements seem essential: a large dealer network and a broad range of cars.

Ford, for example, has about 1,200 dealers and reckons this puts every customer within five miles of one of its retail outlets.

At the same time the company suggests its range has cars suitable for everyone in any corporation who needs one—from the trainee sales rep to the chairman. You can put the rep on the road in a Fiesta Popular while the big boss has to make do with a Granada Ghia 2.8i.

It is no wonder Ford dominates the car fleet business in Britain. Six out of every ten of the 459,365 cars it sold in Britain last year went to major fleet customers, defined by the group as those with more than 25 cars.

This did not happen overnight. Ford spent many years carefully building up its fleet sales, recognising there is more to success in this sector than simply having a big dealer network.

The group is keen to ensure that all its dealers are trained to cope with fleet business—which is very different from dealing with private customers. To sell to a corporation the salesman needs to be a specialist capable of selling in a business-industrial environment who can understand his customers' business problems.

This requires an investment in time and money as well as training. While Ford, like all other UK-based manufacturers, leave its dealers to handle the formalities of any sale, it tries to provide the right price structure and value-for-money features for its cars. In this context the group invites a number of fleet managers to get involved when any new product is on the way.

BL reckons it is the one company in a position to dent Ford's position in the fleet market—to start with the group still has 1,700 dealers.

By 1984-85 BL should have on the road the LC11, the medium-sized saloon designed to compete head-on in that part of the market currently dominated by Ford's Cortina.

In the meantime some of the policies BL is following to strengthen its fleet operations have a Ford-like quality. Perhaps that is because two years ago the group drafted in Mr Brian Mahony from Ford and he is now BL's fleet sales director.

Mr Mahony set up five regional fleet sales-and-service offices, each under its own manager. Sales and service were merged. He insists this enables BL to respond much more quickly. "Fleet operators now know who to speak to in BL about company cars."

Low cost

The group made between 200 and 300 presentations last year to emphasise the positive changes made to BL's car range and the claimed low cost of operating BL vehicles — Mr Mahony suggests a major fleet can save £500,000 to £1m a year on running costs.

This effort was backed up by 6,000 meetings, face-to-face, between BL fleet representatives and individual operators plus 2,000 extra meetings about service matters.

Fleet managers are kept up to date about BL operations via quarterly bulletins.

The BL dealers have also been reminded in training sessions that in the UK the company car predominates and that it is vital they should know how to sell cars to companies.

The dealers are encouraged to improve used-car values by better use of second-hand car sites, used-car reconditioning, and merchandising.

All this activity seems to have had the desired effect as far as BL is concerned because its share of company car sales last year jumped from 15.4 per cent to 19 per cent. The group made some significant "captures" — taking a Granada TV Rental contract from Vauxhall and Visionhire from Ford.

General Motors last year pumped over £100m into Vauxhall to recapitalise the business and preserve for itself a British presence even if Vauxhall is now more of an assembly operation than a full manufacturer.

The new director of marketing, passenger cars, Vauxhall, is an Australian, Mr John Bagshaw, and he aims to take GM's share of the UK market to 16 per cent by 1985. For this the group will need between 900 and 1,100 dealers.

Currently Vauxhall has 650 dealers and its sister company Opel of West Germany 230. As part of the programme these dealer networks are being merged in Britain. Significantly, when GM launched its "J" car last year (the replacement in Britain for the Cavalier), there was no Opel version for the UK — just models with Vauxhall badges.

Mr Bagshaw has been recruiting experienced fleet field staff to "speak to operators in the own language." Vauxhall has speeded up deliveries to the fleets, and the service back-up by establishing a "hot-line" facility.

Talbot UK is in a somewhat similar position to Vauxhall. It has a UK manufacturing presence, but again it is mainly an assembler of Continental car kits since the Linwood car plant in Scotland was closed last year.

Its French parent, Peugeot, decided over a year ago to merge the Peugeot and Talbot dealerships in Europe. In Britain Talbot, which traces its antecedents to the old Rootes Group, absorbed the Peugeot operations. Talbot has about 600 dealers and Peugeot about 250.

Among the traditional importers from the Continent, Renault is the company which needs to do well with its fleet business if it is to achieve its long-term targets in Britain.

The arrival in the UK of the Renault R9, a traditional car-with-boot, made with Japanese-type efficiency, should provide a boost this year. While Renault has only 480 dealers in Britain it has been picking up "service points" and claims fleets can get service from 740 outlets.

Perhaps the most significant event in the fleet market this year will be the run-out of the old Cortina which is not only the fleet's favourite car but, as a result, Britain's too.

Cortina will re replaced at the end of the year by the Sierra, by all accounts a dramatically different vehicle although one which will still have the engine driving the rear wheels.

Ford says there are good engineering reasons for staying with rear-wheel drive in this size of car when all its rivals (including GM, BL and Datsun) are switching to front-wheel-drive.

The rivals suggest that Ford simply could not afford the extra cost of switching to front-wheel-drive.

However, Europe in general and the UK in particular have always accepted a mixture of front and rear-wheel drive models and there is no reasons to believe Britain will follow the U.S. to front-wheel-drive for all cars of Cortina size.

Kenneth Gooding

COMPANY PROFILE

Swan National

Swan National Group, which operates a fleet of 7,000 vehicles rented on a daily basis and 5,000 leased, believes it has now fully overcome the problems which resulted from the severe downturn in UK business in 1980 and looks forward to progressively better demand this year.

Mr Freddy Aldous, managing director of the company, said that the industry as a whole had suffered from overcapacity and rapid depreciation of vehicle values during 1980, and spent much of last year tightening up its operations.

This had been particularly evident in the short-term rental market, where costs increased most rapidly, and some of the difficulties were still evident in leasing, where the turnover of cars was about every two years.

According to Mr Aldous, Swan experienced a slight growth in business last year, in line with the overall market, but achieved a breakthrough in airport locations by becoming established at Heathrow and Edinburgh airports, in addition to its existing presence at Prestwick and Luton.

New arrival

Moreover, the company has also won the concession at Glasgow airport. "This is really significant for us since we are the only new arrival at airports in the past 10 years," Mr Aldous said.

Around two-thirds of Swan's business is now provided by corporate customers, and it has recently introduced a card system which allows executives to rent cars without any paperwork to delay the transaction.

The major growth area is seen by Swan as contract hire, since new car prices have outstripped the inflation rate in the past year and companies are not inclined to use valuable capital resources if they can avoid doing so through leasing arrangements.

The cost of replacing car fleets, now often above the £1m mark, has come as a shock to many boards, Mr Aldous believes, since the decision may have been deferred for a time due to the recession and depreciation has been high.

Although only about 10 per cent of Swan's business is in commercial vehicles, there have been signs of improvement in demand during the past few months after a difficult period.

In an effort to exploit the London luxury-car market, Swan is making a fleet of 29 Jaguars available soon from a location in Westminster, and it believes this number will double by the end of the year in response to demand.

This service is aimed largely at the company customer, and Jaguars have been chosen to compete against the many foreign luxury cars offered in London because Mr Aldous believes they offer the best combination of status, ride and luxury available for the price.

L. B.

COMPANY PROFILE

Heron

Heron Fleets and Leasing, part of the Heron Motor group is one of the smaller competitors in the crowded car leasing market, but is adopting a more aggressive sales approach this year in an effort to increase its share.

According to Mrs Jean Denton, the newly-appointed managing director of the company, it is likely to acquire about 2,000 new vehicles in the coming year and foresees increased demand for high specification, mid-range cars.

She believes that the difficult conditions experienced last year in the corporate sector are now easing with companies having made most of the cost reductions and redundancies they believe necessary. Now they are facing up to vehicle requirements for the next few years.

"If companies are expecting their employees to work harder, they cannot expect them to drive around in old cars," she said, adding that one of the options now worth considering was complete fleet replacement. "We will hand over a cheque for existing vehicles which a company can use for other more pressing purposes," she said.

Heron also intend to step up its volume of information to potential customers, allowing them to evaluate for themselves exactly what benefits can be derived from contract hire, leasing, lease purchase or overall fleet management.

Moreover, increased numbers of vehicles will be made available for trial periods, allowing customers to evaluate fully their performance in the field and their suitability for particular purposes.

Mrs Denton believes that there is also a future for LPG-powered cars for fleet operators, since costs are now well below those of comparable petrol-engined vehicles and are likely to become even lower in future. For this reason Heron is examining the possibility of meeting increasing demand for these.

"Regular communications with our customers is the basis of our policy so they can decide and inform us about their needs," she said, adding that Heron is aware of the pressures on corporate cash flow and the need to restrain spending.

She admits that Heron, like the rest of the industry, had a difficult time during the early part of last year, partly due to staff reductions in industry which meant that spare cars were available for new employees and demand was therefore reduced.

The company also has experienced difficulty in its tractor and farm equipment leasing, but this is showing signs of improvement. "People are now learning to live with the high cost of money and demand is picking up all round."

L. B.

Computer-based routeing comes of age

Route scheduling by computer is coming of age. It is just 20 years since the researchers Clarke and Wright of the Co-op set out the first scheduling algorithms—the sets of rules which define how a particular problem can be solved in a finite number of steps.

Setting computers to solve the problems once the algorithms had been constructed was difficult enough, for it involved massive sets of mathematical operations. The real difficulties, however, and the ones which gave computer scheduling a poor image for years, came when the systems designers had to take account of all the physical and human detail involved in route planning.

Unless, for example, the computer has a detailed road map embedded in its memory, it will simply choose the shortest distance between two points, and think nothing of directing a driver to travel between, say, Cardiff and Bristol across the Severn.

And the programmer has to take account of special local conditions or lorries will roll up to supermarkets loaded with perishables only to find it is early closing day.

By a brutal combination of hard work and trial and error these problems have gradually been solved and at least a dozen companies are now offering computer software packages which fulfil the basic requirements of route scheduling.

The best known are probably Routemaster from Analytical Systems, DIPS from Freight Computer Services, Datafreight from British Road Services, Transit from Synergy Logistics, Vanplan from Scicon and Paragon from Pactel.

IBM offers a package called VSPX; ICL offers Pathmaster, but it is an application where the small company has as much chance of success as the giant.

According to Mr Adrian Williams of Pactel's management science division, an effective scheduling package first needs a computer coded road network in its memory—literally a *gazetteer of all* the important roads in the country with distances "links" between sets of junctions—and second, a detailed inventory of special factors for each customer and area.

Ultimate aim

There are, however, very few day-to-day scheduling systems in operation. This is the ultimate aim of computer-based route scheduling. It assumes that the company already has a computer-based order processing system; data from order processing is fed directly to the scheduling package which creates all the necessary documentation for loading and delivery, and also produces management reports.

It does not need a large computer. Pactel's package which costs about £25,000 will run on a PD11/03 one of Digital Equipment's smaller minis and produce 50 routes in about 20 minutes. A large machine, such as an ICL 2960, could do the same job in three or four minutes.

Each company has its own approach to scheduling philosophy. Pathmaster, the ICL offering, uses Post Office postcodes to identify delivery and collection locations, for example.

A system of load measurement is then set up—weight, volume or standard unit, depending on the customer's business, and details of the customers' fleet are read into the system. This would include running costs and load capacity for each type of vehicle.

The customer's historic operations are used as the basis to create a network of preferred routes. The package can then be used to analyse a real situation, presenting what it reckons to be the best route on a television-style visual display terminal. The scheduler can accept the route or look at alternatives, possibly even to the extent of rearranging the entire schedule.

Routemaster from Analytical Systems has been developed over 10 years and has a long list of blue chip customers, including Heineken in Holland where it is used to plot daily deliveries of beer and soft drinks from five depots, Nestlé in Switzerland, where it is used for strategic planning studies for different operating companies, and Allied Breweries in the UK.

The distinguishing feature of the package according to Analytical Systems is a "look ahead" procedure in the Routemaster algorithm; when the calculations of the most effective route are being made, several links are selected at each point and the effect of making each one analysed by the look-ahead procedure.

Scheduling packages can be provided either as turnkey systems, where the entire system, computer and package, is installed on the customer's premises by the manufacturer: Scicon's Vanplan, for example, can be provided on a Hewlett Packard 3000 computer costing just over £20,000.

Alternatively, the whole service can be provided on a bureau basis. This might seem appropriate for a company anxious to run a scheduling programme once a week or so to tune up its deliveries or change its strategy, but an interactive terminal on the premises is essential for daily scheduling.

Datafreight, run by Tempo Timesharing for British Road Services, is a good example. And Freight Computer Services, the computer services arm of the National Freight Company, offers its DIPS package through a desk top terminal in the customer company connected to the FCS mainframe computer in Birmingham. DIPS is claimed to enable transport managers to review for themselves their fleet size, depot and warehouse locations, vehicle size, delivery access times and so on.

Desk top

The growing power and popularity of the smaller computers—costing typically between £20,000 and £100,000—has opened new possibilities for monitoring fleet performance, an activity which has achieved new importance with rising costs of fuel and service.

Last year, for example, FCS introduced Microdrive, a costs and performance monitoring system running on most microcomputers. The cost, including the micro itself, is around £7,000; it provides total vehicle cost analysis including maintenance, fuel, tyres, standing charges and so on. According to FCS an operator with over 20 trucks would find Microdrive cost effective.

Allied Breweries Computer Analysis System (ABCAS), marketed through DCMS of Bristol, puts the power of the minicomputer behind the touchy subject of vehicle maintenance costs.

The system runs on a Digico computer, a small but very powerful UK-built mini. It provides information on operating and maintenance costs, vehicle comparisons, maintenance analysis and individual and vehicle group costs. According to DCMS: "A pattern of garage operations is established, undesirable trends in unscheduled work are detected and repetitive work on specific components is highlighted."

Company data processing departments have been aware of the truth of that for years.

Moving the computer into new areas like transport brings the threat of repeating all the old mistakes. Routeing systems which ask drivers to turn a 20 ft lorry around in a 12 ft one-way street are the evidence of that.

But the benefits are tangible: and the range of computer companies taking these problems on board bodes well for the computer in transport.

Alan Cane

BRS trailer rental is just part of its wide range of activities, 40 per cent of which is concentrated in contract hire

COMPANY PROFILE

BRS

BRITISH Road Services, Britain's largest contract hire company, has wide transport industry interests which allow it to offer a range of services covering most aspects of any company's movement or storage of goods.

BRS is perhaps best known as a supplier of large fleets to well known companies such as Cadbury Schweppes and British Sugar, but perhaps surprisingly the average number of vehicles on contract hire to each of its customers is less than five.

This indicates that while BRS is able to offer sophisticated contract hire schemes to larger concerns, it is also able to cater for many customers operating only one of its vehicles, which range in size from small vans to 32 ton tractor units and trailers.

In many cases BRS is called in by companies operating large transport fleets and asked to find out whether a contract hire scheme will be cheaper and more effective than existing methods. This is sometimes taken further, with consultancy advice being sought on overall warehousing and movement of goods.

BRS actively seeks to tailor its contracts to the requirements of customers, sometimes to the extent of a computer link enabling information to be fed directly to BRS on vehicle requirements.

The company believes that its structure—regional companies dealing with particular areas—enables it to specialise in the industrial requirements of each, since those of the West Country, for example, are quite different from those of the West Midlands.

Last year the company experienced only average demand, but there was considerable improvement in the final quarter, particularly in contract hire. An increasing number of companies are seeking advice from BRS on how to hold down overall transport costs.

A study of this kind often involves BRS in looking at a customer's overall distribution system to pinpoint inefficiencies and bottlenecks which BRS will undertake to eliminate if it is asked to manage, the company's movement of goods.

About 40 per cent of BRS's business is in contract hire, while the remaining 60 per cent covers a wide range of activities such as general haulage and distribution, consultancy, truck and trailer rental and the design and construction of special facilities.

Although industry has suffered during the recession BRS believes some benefits have emerged through the rationalisation of transport fleets, and that companies will save money in future as a result of becoming more cost conscious about these operations.

L. B.

COMPANY PROFILE

Budget

Budget Rent-a-Car, an American-owned company which was established in Britain in 1966, has grown fast in recent years, largely through the growth of its franchise network and competitive pricing.

The company operates exclusively in the rental market and does not offer leasing or contract hire, but nonetheless serves that industry by supplying rented cars to leasing companies when their vehicles are off the road.

Around 70 per cent of the 5,000 vehicles operated by Budget are cars, while the remaining 30 per cent are vans and light trucks, a sector of the market which is now showing some signs of improvement as industry needs to fill the gaps in vehicle fleets as demand improves.

Budget, owned by the Transamerica Corporation, is claimed to be the world's third largest rental company, and certainly benefits in the UK from its strength abroad, as visiting businessmen are familiar with the name and often have *credit facilities*.

Franchise operators in the UK also benefit from the company's name and organisational resources, since they are able to draw customers from a much wider area than they would as independent car-hire concerns in provincial areas. Budget now has 110 franchises throughout the country, with the operator providing his own vehicles to a standard set by the company, thereby reducing overheads while ensuring steady expansion.

Franchising

Mr Ian Gamage, marketing director of Budget, pointed out that the five largest rental companies in the UK now control about 30 per cent of the total market, with the rest held by smaller concerns all over the country. This can be exploited to some extent through franchising.

Franchising also protected Budget from the worst of the down-turn experienced in 1980, but it nevertheless suffered considerably as recession-hit companies cut back on incidental costs such as car rental and van hire.

Around 60 per ent of the company's business is attributed to corporate fleet operators, with the remainder coming from "distress users." people needing replacement cars, tourism and business visitors.

Mr Gamage said that while this demand was always the first to suffer during a recession, it was the first to return and there were now distinct signs of demand improving, although at a slow rate. He predicted that this pattern would continue this year.

Although Budget was not benefiting directly from higher demand for leased commercial vehicles, this was filtering through as a result of the need for short-term replacements.

There has also been increased demand for rentals from companies which are faced with the need to meet increased volumes of orders but have not yet decided how to replace or increase their existing fleets, following a period of relative idleness.

L. B.

Trend still favours fleet management by an agency

FLEET MANAGEMENT by an external agency is continuing to prove attractive to companies running an optimum of 25 cars or more after traditional methods of cutting company costs have been investigated.

The concept of vehicle fleet management by an agency originated in America and it therefore comes as no surprise that the market in the UK is dominated by two U.S. subsidiaries of the PHH Group and the Gelco International Corporation — as well as the Ford Motor Company, which offers the service to UK customers through FACTS (Ford Analysis of Car Transport Statistics).

Fleet management in the U.S. grew out of contract hire in the 1950s where, at the time, contract hire was the only alternative to ownership. In the U.S. the situation has changed dramatically, with over 80 per cent of fleets which are not self-managed being under external fleet management schemes and contract hire enjoying 15 per cent.

While in the UK fleet management is making inroads into contract hire the market is much more unexploited on the Continent, where Gelco, for example, describes its market as "embryonic."

Gelco started its UK operation in 1972 as its stepping stone into Europe. In 1974 most fleet operation was still contract hire while today contract hire (Auto Contract Gelco) is a subsidiary of the main fleet management business offering both full and non-maintenance facilities and the ratio of contract hire to fleet management is 1:3.

Mr Ivor Rowe, managing director of Gelco, said: "On contract hire the customer buys a fixed period contract (for one, two or three years) while with the fleet management package the customer, in return for a fee, pays only the actual costs. These are related to the true cost borne by individual vehicles.

"We, through operating both contract hire and fleet management, can advise a potential customer as to which we think would be more advisable for him."

The trend in the business, he said, was continuing in favour of fleet management. Last year growth in the business slowed down to some 10 to 15 per cent, reflecting the general state of the market.

Gelco so far has concentrated on cars and light commercial vehicles but the potential for fleet management of heavier commercial vehicles is being investigated.

Some 20,000 vehicles are handled by Gelco in the UK. Worldwide the company handles some 550,000 units of transportation including cars, trucks, trailers and containers.

Gelco is reluctant to give figures on how much saving can be achieved per mile with fleet management—units of 1p per mile savings are often mentioned by external agencies. Savings, said Mr Rowe, obviously depended on the efficiency of the internal operation.

One advantage for companies calling in an external agency such as Gelco, he said, was that it was often easier to downgrade models of cars if it had been suggested by a fleet management specialist.

Fleet management agencies such as Gelco claim supply problems from manufacturers with European rationalisation of car plants. Mr Rowe said: "If a customer rang us and wanted 5,000 cars within a month we could supply. But if this were broken down into the specific most popular fleet models we could take several months to obtain them from manufacturers."

In the U.S. Gelco has access to manufacturers' computers so orders can be directly keyed into the systems of Ford, General Motors and Chrysler. This system, called DOES (Direct Order Entry System) is being discussed with manufacturers in the UK.

Print out

Gelco has a network of 7,500 accredited service depots in the UK. Repairs or maintenance cannot be started without a print-out from the Manchester headquarters. This has caused in the past some friction from garages but according to Mr Rowe the problem has now been solved.

Gelco also has a widespread disposal network and is thus able, it says, to control depreciation costs better.

Mr Rowe said the fact that Gelco was not in any way franchised meant it could offer any make or model of car—which might not be the case with fleet management/contract hire companies that were owned by a franchised dealer of a car manufacturer.

PHH Services, set up in the U.S. in 1946, also came to this country in 1972. It operates some 18,500 vehicles with around 230 clients. In the current economic circumstances, said the company, performance had been good but there had been no dramatic growth in business.

In the last 12 months PHH—which has operated an All Star Petrol Card for clients for some time, available for fuel and oil purchases—has introduced a charge card for service maintenance and repairs. Garages, however—as in the case of those working on Gelco cars—have to receive full authorisation for work. Such checking back enables the fleet management company to examine the individual record of each vehicle and query irregularities if they appear.

PHH is in the process of extending its operations to the Continent, with West Germany probably the first area operation.

Of the fleet managed some 85 per cent is leased by clients. PHH said there was still continued interest in leasing. On average PHH would expect to save "at least" 1p per mile for the typical client.

Ford's FACTS is a specialised management service offered to customers who together operate some 60,000 vehicles. It offers a similar service to the external agencies, using a computer to analyse information, with specialists buying fleets at discount, re-invoicing them to customers, paying all maintenance invoices and analysing costs. In the past 12 months Ford has introduced an in-house computer, previously using a computer bureau. This, says Ford, has made information more up-to-date.

At vehicle level FACTS can provide a customer with a maintenance history of each car. Information on the number of insurance and warranty claims on a vehicle can, for example, prove the identity of a poor driver. At fleet level information is given, for example, on fuel consumption of different models and vehicles while in giving a general composite report FACTS enables a company to compare its fleet performance with "national" fleet statistics.

L. W.

COMPANY PROFILE

Godfrey Davis Europcar

THE £22m acquisition of Godfrey Davis (Car Hire) by Europcar, the Renault subsidiary, gave Europcar — already the largest European car rental company — the biggest car rental business in the UK. The new company is also the largest non-U.S. car rental company in the world.

The merger, which took 18 months to complete because of investigation by the Monopolies Commission, was the breakthrough Europcar had been striving for since it entered the UK car market in 1974.

With the Godfrey Davis takeover, Europcar says it has locations at more than 130 airports and more than 1,000 offices in Europe, Africa and the Middle East. It operates in more than 40 countries or territories with a rental fleet of more than 40,000 vehicles.

In the UK Godfrey Davis Europcar (GDE) has 90 branches, an increase of 40 on the combined total outlets of the two prior to the merger and its includes the Godfrey Davis rail drive contract — which may be investigated by the Monopolies Commission — and fly drive contracts with British Airways and Aer Lingus. Before the merger Europcar had about 20 branches in the UK with no access to the important Heathrow Airport market.

The new organisation retains the replacement car scheme with General Accident Insurance. Most important for the old Godfrey Davis is that the merger made it an international car company. In the U.S. it has swapping arrangements with National Car Rental and in Canada with Tilden, the largest car hire company in the country.

However, in the international car hire business the company faces strong competition from Hertz, the largest international car hire organisation.

GDE is heavily wooing the UK travel trade—offering a 20 per cent basic bonus which can go up to 30 per cent although tariffs generally went up by 7 per cent on January 4 after being held—like so many in this industry—for a long period.

The merger has resulted in a massive investment in new fleet with the number of cars for the next summer season slightly increased to just under 8,000.

L. W.

UK freight led by the lorry

THE OPERATION of commercial vehicle fleets was bigger business in 1980 than it had ever previously been in Britain, according to the latest available government figures.

By value, Britain's 1.76m goods vehicles licensed for commercial operations in 1980 carried goods worth a record £16.7bn. Rail, in contrast, carried goods worth £606m in the same year. The recession last year will certainly have dented some of these figures, but by how much is difficult to estimate this early in the new year.

Even with a substantial drop in business, however — and haulage associations have put the drop in business at between 15 per cent and 20 per cent — fleets of commercial vehicles will have continued to dominate overwhelmingly the movement of freight by all methods in Britain.

The 1980 figures show the strength of this domination. Lorries of all sizes accounted for 77.6 per cent of the movement of all goods in Britain, measured in terms of tonne-kilometres.

The growth in the importance of road transport to Britain's freight activities has been reflected in the doubling of the number of goods vehicles on Britain's roads, to 1.76m over the 30 years to 1980 — a period when lorry weights were also raised resulting in an increase of more than 100 per cent the total carrying capacity.

In terms of weight, road transport accounted for an even greater proportion of the total goods lifted. In 1980, 82 per cent of the total weight of 1,676bn tonnes of goods lifted by all modes went by lorry.

The controversial Armitage report on "Lorries, people and the environment" appeared just over a year ago, but it is still the most contentious document ever published in Britain on the role of the lorry and its place in the lives of people. The report provided a catalogue of examples to show that "we are now overwhelmingly economically dependent on the lorry."

The lorry, according to Sir Arthur Armitage and his team of assessors in their report, "in some form or another, is here to stay in the foreseeable future." They also accepted, however, that a price had been paid in the effect lorries have had on people and their environment.

This proved to be the most controversial aspect of the report. The Government responded with proposals to increase the weight of lorries by a quarter to 40 tonnes gross laden weight, to build by-passes and to tighten up on some of the environmentally sensitive issues affecting lorries. Few environmental groups, however, were satisfied and continued controversy is expected in Parliament when the regulations to raise the weights are laid before the House of Commons.

Whatever the merits of the Government's proposals, fleets of lorries are certain to continue to be needed by industry and the householder. Lorries serve almost all the 100,000 industrial premises, 200,000 warehouses and more than half a million shops in Britain.

Higher legal lorry weights, it is argued by the proponents, will bring economic benefits. The Government put the total annual savings at £150m.

The road freight industry, however, is already taking steps to become more efficient and to adapt to the changes forced on it by the markets it serves.

At a conference of fleet operators last autumn, Mr Peter Thompson, the chief executive and deputy chairman of the soon to be de-nationalised National Freight Company (the largest haulage operator in Britain), said that the important issue for the future was to ensure that vehicles did not repeat the inefficient practices of the past.

More good

A table produced by the NFC for the Foster inquiry into road haulage operators' licensing showed that as the permitted size and weight of vehicles had increased, fewer lorries were used to carry more goods, but each lorry was used relatively less efficiently in comparison with its total carrying capacity.

Almost all the main categories of fleet lorry illustrate the point that hauliers and other operators of lorries have failed to maximise the potential efficiency of their lorries.

Lorries over 28 tonnes gross laden weight, for example, were used 17.9 per cent less efficiently in 1979, when British haulage companies and industrial operators had 106,400 lorries in this category, than in 1973 when they had only 44,800 of the same size lorries.

The measure of efficiency used by the company in its paper prepared for the Foster inquiry was tonne-kilometres per capacity tonnes, in other words the proportion of the available capacity of the lorry that was actually used.

Most of the other categories also showed a substantial drop in the utilisation of the lorry.

This identification of inefficiencies in the operation of existing heavy lorries, however, is unlikely to deflect the Government from its course of planning to allow the introduction of even heavier lorries.

Hauliers, and other fleet operators will certainly have to take good account of how well they use their heavier lorries. These vehicles will cost substantially more in terms of capital and operating costs and only constant monitoring of operating margins and vehicle efficiencies will allow the operators to gain the full efficiencies possible with the higher weights.

L. McL.

COMPANY PROFILE

Kenning

THE Kenning Motor Group, which has wide interests in the motor industry aside from its rental and leasing operations, has a strategy of trying to provide its customers with the type of service best suited to their requirements, rather than push them into particular contracts.

Mr Brian Wells, sales director for the group, points out that Kenning has a wide range of resources which enables the company to carry virtually all the work involved in contract hire, while other companies may have to sub-contract.

This enables Kenning to maintain strict control over all aspects of a contract and eliminate middlemen where additional charges would otherwise have to be passed on to the customer.

Mr Wells suggests that while some companies may prefer to go for a complete contract hire package, based on a computerised system which identifies unit costs, others may have their own computer capacity and management expertise which allow a modified contract hire deal to be offered.

Mr Wells believes that most reasonably organised companies have the ability to participate in the running of a contract hire scheme and sometimes felt happier with some element of control.

Kenning owns, at peak periods, a fleet of around 10,000 cars, light commercial vehicles and a small amount of heavy trucks, and like other companies has been recovering from the serious downturn in business experienced in 1980.

Kenning has pursued a policy of trying to maintain margins during the past 18 months, although this was difficult at times with other companies cutting rates and the rental industry offering a wide range of discounts on new vehicles.

Mr Wells is optimistic that profitability and demand will improve this year, but he is cautious. One encouraging sign is the increase in inquiries from local authorities who are thinking to contract hire as a means of reducing capital expenditure.

L. B.

VEHICLE FLEET MANAGEMENT VII

COMPANY PROFILE

Wincanton

THE TRANSPORT operations of the Wincanton Group, part of the giant Unigate dairy, meat and non-foods group, have become one of the few success stories in the competitive field of road transport in the early 1980s.

The Wincanton Group as a whole showed lower, but undisclosed, profits in the year to March 1981, compared with the previous 12 months. Set against this, however, was the performance of the transport subsidiaries of the Wincanton Group.

These subsidiaries include Wincanton Transport, whose profits, again undisclosed by Unigate, improved in the last financial year compared with the year to the end of March 1980. Wincanton Vehicle Rentals, another subsidiary, maintained its profit margins in the face of rising competition from the expanding truck rental sector.

Similarly, Wincanton Garages showed "acceptable profits" across its business sector according to Mr John Clement, the chairman of Unigate. This subsidiary includes Wincanton Contracts, which specialises in contract hire and rental of cars, and Giltspur Motor Industries, an acquisition in the last financial year.

In the commercial vehicle sector, the Wincanton Vehicle Rentals subsidiary has one of the fastest recent growth records of any company in truck rental.

The vehicle rentals company has been opening new depots and garage branches at a rate few, if any, truck rental companies in Britain could hope to match over the past few years. Depots have been opened at Dewsbury, Manchester, Derby, Acton and Darlaston, where the company has spent £3m building and equipping one of the most up to date depots for serving the fleet hire market.

Wincanton has at its disposal a fleet of 2,500 commercial vehicles and 4,500 cars for rental and contract hire.

This scale of investment, which started in a big way only in 1979, together with that involved in the spate of new depot openings in recent months, has been achieved only through ready access to a substantial source of investment funds.

These funds became available when Unigate, the parent company of Wincanton Transport and its subsidiaries, sold its 15 milk creameries to the state-owned Milk Marketing Board for £57m in 1979. In 1980 Unigate also sold activities it had overseas.

One result of all this money for potential investment is that Wincanton Transport now employs 3,500 people and has 182 maintenance depots in Britain serving the Unigate subsidiaries and providing road transport services for outside customers.

Mr Peter Hemmingham, managing director of Wincanton Vehicle Rentals, is confident that this year will see further substantial and rapid growth in the company's business. Revenue could increase by 50 per cent if the company's marketing plans bear fruit, especially in the contract hire, truck rental and chilled distribution sectors.

Up to 1,000 extra commercial vehicles are to be provided to compete in the market place. Established operators can expect to lose business as the soundly based Wincanton Transport expansion continues.

"December is a traditionally good month for truck rental, but last December (1981) could not have been more buoyant," Mr Hemmingham said recently. "People would rather rent vehicles on short-term contracts than commit capital while they do not have full confidence in the future."

L. McL.

Fleet car sales: a hat trick for Ford

THE Ford Cortina has been top dog in the UK fleet car market—and in the overall UK market—for so long that its presence at the head of the list of 10 best sellers has come to be taken almost for granted.

The process was repeated last year. Almost 160,000 were sold—more than one in ten of all new cars. Ford scored a hat trick with the Escort placed in second and Fiesta third. The Escort was nearly 20,000 units behind, however, and the Fiesta nearly 50,000.

The direct rivals to the medium-sized Cortina offered by other manufacturers, in relative terms, got little more than a look in.

BL's Morris Ital, like the Cortina, facelifted over the years but never to the same extent, sold at a rate of less than one-third that of the Cortina: under 49,000. Vauxhall's Cavalier managed about 34,000 whereas Talbot's Solara and Alpine hatchbacks models between them only managed about 27,000.

In the past few months, however, the Cortina has begun to look vulnerable. Not from any single quarter, but from several simultaneously.

The situation changed in he space of a month towards the end of last year. Vauxhall launched its new front-wheel drive Cavalier—the European version of the General Motors "world" J-car—to considerable critical acclaim from the specialist motoring press. And BL's joint car with Honda, he Triumph Acclaim, followed hard on its heels, to equal enthusiasm.

Neither car is about to topple the Cortina from its pedesal overnight. BL has set a target of 3 per cent of the total market for the Acclaim: a three-box saloon, but with just one engine specification—of 1.3 litres—and originally conceived as appealing more to private buyers of defunct Triumph Dolomites than fleet managers (an attitude which has since changed).

Vauxhall makes no bones about the Cavalier being its competitor to the Cortina. It has yet, indeed is unlikely to, acquire the engine capacity spread of the Cortina—the 1.3 and 1.6 litre units available now may eventually be expanded upwards to 2 litres while the Cortina range runs from 1.3 to 2.3 litres. But it closely matches the Cortina in equivalent price ranges and, as might be expected of a new engine series and design, performs better and is more economical.

One of the other threats to the Cortina is internal. The past year or so has seen a marked trend by companies, under the pressures of recession, towards smaller, more fuel efficient cars. The effect on the Cortina has not been too dramatic, because sales lost to the Escort at the bottom end of the range have been offset at the top by a shift down from Ford's largest car, the Granada, sales of which have slumped from 52,000 in 1979 to 25,000 last year.

But the Escort, thanks to the image-boosting presence of more luxurious and sporting versions such as the Ghia and XR3 models is coming to be regarded less and less in the company rep's eyes, of a demotion from the larger and thirstier Cortina.

The other, lesser threat—but one that has recently been receding as belts have tightened—is the practice by which companies have offered their employees a price band within which they can choose a variety of cars. This had led to a considerable number of "traditional" imported cars (rather than "captive" imports of, say, German-built Fords) appearing in the fleet sector.

Chipping away

Yet such is the strength of Ford's position that the combined effect of all these developments is likely to be only a steady chipping away of sales during the coming months. By then its rivals will be casting anxious eyes towards the UK motor show and what will finally emerge, after nearly 20 years, as the Cortina's successor.

If the Sierra, as it is expected to be called, does indeed look anything like the Probe III research vehicle Ford showed in Frankfurt last year — as some rumours suggest — it will be radically different from its predecessor, with a rounded, aerodynamic shape, and with its 1.6 litre engine still driving the rear wheels (Ford says it believes that rear-wheel drive is still appropriate for a medium-sized car where the intrusion of a transmission tunnel is not so disadvantageous as in smaller vehicles).

The Cortina name itself is not expected to die, but to be passed on to an upcoming version of the Escort to be equipped with a full boot rather than a hatchback.

The Sierra will be launched just a few months before the first of the LM 10 range, on which BL is depending even more than the Metro for its revival, is due to appear. That will be a hatchback, with engines expected to range from the 1.3 litre A-plus engine used in the Metro, through a developed version of the E series unit used in the Maxi and Allegro (both now out of production) and possibly the 1.7 and 2 litre O series engines. The booted LC 11 model which will be the Cortina/Sierra's most direct rival, is due in 1984.

Further up the fleet range, competition is continuing to hot up. On January 20 Rover launched a revised range with considerable improvements — including a lengthened rear window to ease parking problems — and, most significantly, a 2-litre model (using a tuned version of the O series engine). This was a major step, because of the 2-litre cut-off point established by many companies for less senior management.

It is shortly to be followed by the Ambassador, a much reworked version of the Austin Princess which incorporates a third side window, a long-awaited hatchback and an even more streamlined front end.

Both BL models loom as major competitors to the more expensive versions of the Cortina and to the Granada which, despite its drop in sales, remains the best-selling executive level car and which was the subject of a £50m improvement programme towards the end of last year.

The past year has also seen Talbot's entry in the executive car field make its appearance, the Tagora. While it has been generally well received by the motoring press, it has yet to make a serious impact in the executive fleets, however. Sales were just under 1,000 in 1981, although it was not introduced until the middle of the year.

Talbot's hopes for reviving its market share, which has slid to under 5 per cent, must now, therefore, rest on its smaller models. A 40 per cent improvement in its UK plants' productivity has led to the assembling of the Horizon hatchback model in the UK as of last month, and it should benefit considerably from the Samba, its new, French-built Metro competitor for which a constant 56 mph fuel consumption of over 60 miles per gallon is claimed.

The small hatchback field is also being vigorously ploughed by Vauxhall, which has recently started assembling the Astra, formerly imported from West Germany where it is sold as the Opel Kadett. The demarcation line between small-sized and the traditional medium fleet saloon became further blurred at the start of January when a 1.6-litre version of the Astra was launched under £200 more than the 1.3-litre model and giving sports-type 110 mph performance.

All of this tends to make the task of traditional importers trying to break further into fleet markets that much more difficult. Nevertheless, Volkswagen, with its recently launched new Polo, says its "supermini" has already got 4,000 orders from fleets.

The stiffening competition has prompted a drive by importers to improve back-up services for company purchases. Alfa Romeo, in particular, has just launched extended warranty schemes and a five-year anti-corrosion guarantee aimed at improving residual values proved an inhibiting factor to fleet sales in the past.

Meanwhile, there is no real sign in the UK of the boom in diesel car sales being experienced elsewhere, particularly in the U.S. They still account for less than 1 per cent of registrations, and although Renault in particular has committed itself to a sales drive for its Renault 18 diesel models this year any real uplift is likely to come only if there is a further widening of the price advantage of diesel fuel. That is unlikely until such time as domestic manufacturers such as BL and Ford have their own units in production. Both have them on the stocks.

John Griffiths

Rapid growth of contract hire

THE CONTRACT hire of commercial vehicles has become the most rapid area of growth in the road freight transport sector, with benefits for haulage operators and industrial companies operating trucks on their own account.

Contract hire costs are borne out of day-to-day revenue from transport operations. Application of the scheme, as operated by the growing number of fleet service companies with specialist contract hire arrangements, can have the effect of releasing capital. This capital could otherwise be tied up in the conventional outright purchase of commercial vehicles.

The continued effects of the slump in demand for industrial and consumer goods on the road freight transport sector have concentrated the minds of specialist haulage companies and industrial users of transport. No longer do operators and companies have the confidence to buy commercial vehicles outright in the same numbers as they did before the onset of the recession.

Decline

Talk of the recession bottoming out has had little effect on demand for commercial vehicles. Last year output of commercial vehicles dropped to 230,100 vehicles, 41 per cent down on the 1980 production, and the lowest figure since 1949.

In contrast to this spectacular decline in total commercial vehicle production, the specialist contract hire sector has bucked the trend in ownership of new vehicles. Some of the leading contract hire companies in the field report "exceptionally good" business for motive "tractor" units, the powered cabs seen pulling container-size loads or flat-bed trailers.

The simplest form of contract hire involves the hiring of a vehicle or a fleet of vehicles for a period of time agreed between the contract hire fleet owner and the customer, an industrial company or a haulage operator seeking extra transport capacity at short notice.

The usual period of a contract hire management is between six months and about five years. This arrangement can be varied, however, to provide the customer with more than just the vehicle. The most usual variation involves the supply of a driver with the vehicle.

In all cases, however, the company which supplies the vehicle also takes responsibility for the operational support of the truck or light van. Responsibility for meeting the statutory operator's licence requirements rests with the company which supplies the driver.

In these simplest forms of contract hire, the customer can expect to benefit in two main ways. First, the customer has no capital to find; the vehicle, often brand new, is supplied and paid for out of the revenue earned by the vehicle. The cost to the customer is limited to regular and steady payments, usually once a month, and this can be an aid to tight control of costs and operating margins.

The second benefit arises from the first. The lack of a requirement for capital for the use of the vehicle or fleet of vehicles release this capital for other, perhaps more pressing needs in the customer's operations.

This second advantage has led many contract hire companies to develop the ultimate refinement of the contract hire concept, the developing management tool of "contract distribution."

Under this arrangement, a wide range of the management tasks usually associated with road freight transport operations is taken over by the company supplying the contract hire vehicle or fleet of vehicles.

This all-embracing approach to contract hire is growing rapidly in popularity. The contract hire company offers to take over all aspects of a company's transport and distribution operation, including, in the ultimate form, the management of transport and the decision-making which goes into route planning for product distribution.

This form of contract distribution can involve the contract hire company buying the customer's existing transport fleet. This fleet may have proved to be a financial burden in the face of the slump in demand for the customer's products.

With up to 15 per cent of the UK haulage fleet idle because of the slump the customer's fleet is almost certainly being under-used in the present recession. It is a drain on company revenue and an asset that is not earning a return to cover its costs.

Some of these financial problems disappear when a company agrees to sell its fleet of under-used vehicles to the contract distribution fleet operator. The sale of the transport assets would release potentially large sums of capital for use in revitalising the customer's manufacturing operation and the signing of a comprehensive contract distribution agreement would pass all the transport problems to the external specialist.

L. McL.

GOODS MOVED BY ROAD (bn tonne-km)

By mode of working	1975	1976	1977	1978	1979	1980
Mainly public haulage	(63.4%) 56.5	(63.8%) 58.4	(66.2%) 63.2	(61.3%) 59.1	(60.8%) 62	(61.2%) 57.1
Mainly own account	32.5	34.5	32.3	37.2	39.9	36.1
All modes	89	92.9	95.4	96.2	101.9	93.2

Haulage trade is lean and hungry

TWO YEARS of harsh battering by the slump in trade and the subsequent fall in demand for road haulage has left the haulage industry severely shaken, but leaner: fewer vehicles are bidding for less business, and companies are sharply aware of the need for improved and more efficient services if they are to keep or win customers.

This is precisely the effect the Government has looked for across the whole of industry. Road haulage, however, is one of the ultimate havens of free enterprise at work.

The industry owned 1.76m goods vehicles in 1980. These capital assets are expected, as elsewhere in industry, to justify their existence by producing profitable revenue for their masters in industry and in haulage contracting. Few did so in 1980 or 1981, however, and last year as many as 15 per cent of the total UK lorry fleet was laid up for lack of work.

The other side of the slump has been the drive for competitiveness. This has been based on more cost-effective marketing, a greater use of computers for route network planning, delivery distribution scheduling and a greater willingness among hauliers to share information about "empty running"—the wasteful, but often unavoidable practice among hauliers of delivering one way and returning without a revenue-earning load.

The Road Haulage Association, which represents 15,000 or so professional haulage contractors, has taken steps to generate interest among its members in potentially cost-saving ideas. In particular, the RHA has recently completed, in December the third the final trial of its "vehicle and traffic information service," aimed at improving communications between member haulage contractors.

A further noticeable effect of the recession has been the rise in the development of specialist haulage services aimed at taking the financial sting out of the acquisition of new vehicle fleets, without the need for outright purchase.

These services go under a number of names, ranging from hire purchase, leasing and rental of vehicles, to contract hire and contract distribution. The latter involves the acquisition by the specialist haulage operator of the haulage fleets of industrial companies. The haulage contractor then "contract hires" a new, often smaller and more efficient fleet back to the industrial company. The effect is to release capital tied up by the industrial customer in an asset that is being under-used, namely the in-house fleet of lorries.

This strategy has been developed into a well-honed management tool most noticeably by the larger haulage companies— British Road Services and National Carriers in the state-owned National Freight Company—and by Wincanton Vehicle Rentals, Mitchell Cotts Transport Services which offer contract hire, contract distribution and warehousing for industrial customers.

In the trailer field, the haulage industry has been served for many years by TIP Trailer Rental of Watford and Trailerent of Staines and Rentco Nationwide of Hayes.

The ultimate target of the strategy by these specialist contract hire and contrast distribution companies is nothing less than the entire haulage activities of those companies in industry which operate their own lorry fleets on their own account.

Road freight transport in Britain is neatly divided between the so-called "public" haulage and the "own account" contractors. Public haulage contractors are those companies which exist by carrying other people's goods for other people. Haulage contractors usually have no goods of their own to carry.

The own account operators, on the other hand, are those companies, such as food manufacturers, component manufacturers and others which choose to carry their own products in their own, in-house fleets of van and lorries. These companies have traditionally regarded their own transport operations as overheads to their main purpose in life: the making or processing of products and raw materials.

However, the true cost of these vehicle fleet overheads is often only discovered when the vehicles are lying idle through lack of work because of the recession.

Profit margins

Mr Brian Hayward, the group managing director of National Carriers, put the problem succinctly to distribution managers at a recent conference organised by the Centre for Physical Distribution Management, the offshoot of British Institute of Management. He recognised that many industrial companies had found that their own account transport operations were eroding profit margins. "In some cases, these transport operations are actually endangering profits," he said.

Physical distribution costs account for between 16 to 20 per cent of the retail price of products, and the specialist sections of the road haulage industry are going all out to convince industry that these overhead costs can be cut by changing to contract distribution. This is paid for out of revenue and capital is released as the transport assets are no longer owned by the industrial company.

This is the strategy of many of the specialist haulage companies as they seek new opportunities for business. Unfortunately, the own account road transport sector appears to be holding its own and resisting any overwhelming advance by the road hauliers into their territory, at least up to 1980, according to the latest available government figures.

Road hauliers in the public haulage sector accounted for 61.2 per cent of the total movement of goods by road in 1980, when the total volume of traffic came to 93.2bn tonne-kilometres. The balance was accounted for by the own account companies. However, this slice of the total road transport market was only 0.4 per cent up in favour of the hauliers compared with 1979 and, in retrospect, the 1980 share by hauliers was five percentage points less than in 1977.

Nevertheless, specialist hauliers insist that they made substantial inroads into the own account sector last year, although official figures are not yet available to verify these claims. A few of the larger companies, such as BRS and Wincanton, however, have succeeded in taking over a number of lorry fleet operations for major industrial companies.

Wincanton Vehicle Rentals had a particular success late last year when it took over the Hertz UK commercial vehicle contract hire fleet after Hertz decided for the second time to sell its commercial vehicle contract hire fleet. With the sale to Wincanton went fleet contracts with British Nuclear Fuels and Uniroyal Tyres.

L. McL.

GOODS MOVED BY ROAD—1980* (bn tonne-km)

Over	Not over	Mainly public haulage	Mainly own account	All modes
	25 km	3.3	3.8	7.1
25 km	50 km	4.7	5.4	10.1
50 km	100 km	7.3	7.9	15.2
100 km	200 km	13.9	9.7	23.6
200 km	300 km	11.9	5.0	16.9
300 km		16.0	4.3	20.3
All distances		57.1	36.1	93.2

* By length of haul and mode of working.
Source: Transport Statistics Great Britain 1970-80, HMSO.

COMPANY PROFILE

Salford Van Hire

When Raffaello Bacci drives from Manchester to London he usually amuses himself by counting how many of his vehicles he sees on the motorway during the three-hour journey.

His record is 36, or about one every five minutes. Most of his vehicles are easy to spot: they are bright orange and have the words "Salford Van Hire" written all over the front, back and sides. There are 1,500 of them operating out of Manchester and Leeds, making his company the largest of its kind in northern Britain.

Mr Bacci's is an impressive story, having built his company from nothing in 1968 to an expected turnover of £6.5m in 1981 while still remaining its sole owner. Yet he did not mean to go into the van and truck hire business at all.

Born in Lucca, near Pisa, he came to Britain in 1947 at the age of 13 to live with his Italian grandfather, [illegible], who had a lamp and statuettes factory in Salford. Young Raffaello picked up a Lancashire accent and studied art at Salford Technical College to prepare for work in the family company.

That might have been the end of the story had it not been for the company's annual seasonal surge in trade. "We could never find enough vehicles for the Christmas rush," he says. "We figured everyone else must have had the same problem so we bought two 5-cwt vans and two 18-cwt ones to hire out. We knew we could use them ourselves if it did not work out, but we never had to. At the end of our first year we had a dozen vans and 12 months after that, 24."

The big growth came in the mid-1970s when Salford Van Hire went into hiring out heavy goods vehicles. Turnover moved from about £1m in 1971 to £2.5m in 1975 and then doubled to £5m in 1978. Recession halted growth in 1980 but things started looking up again last year.

The company's buying policy has been to finance vehicle purchases over only nine months, a factor that enabled it to weather recession comfortably. This meant it owed little when rental income slowed down as a result of nearly all customers trading at lower levels themselves—if they carried on trading at all—and needing to hire fewer vehicles.

Mr Bacci's policy is to hire out new or nearly new vehicles. This means selling them after 15-18 months of use, usually after 30-40,000 miles. He says: "It makes sense. If anything goes wrong the customer never blames the hire company if it's a fairly new vehicle."

Mr Bacci is now looking to the contract market—which accounts for about 20 per cent of present business—to sustain further growth.

He already provides the transport fleets for several large companies, including a food company and a whisky bottler that are household names, and is negotiating with several others now.

Mr Bacci says "We have to make a profit ourselves but the big benefit of contract hire which we offer is a fixed price for a company's transport for up to three years. It means some very tight pricing policies but we expect to do very well out of it."

Ian Hamilton Fazey

Insurance can cost less

THE compulsory fitting of tachographs, introduced amid considerable controversy and much cost on January 1, has enabled insurers to assess the insurance risk and consequent rating of premiums for hauliers on a new basis. For many operators this will mean lower premiums —welcome news in these days of rising financial pressure because of the recession.

The Scottish branch of leading insurance brokers Hogg Robinson—Hogg Robinson Scotland, have spent over a year devising a new scheme with the General Accident Group based on a new rating method: mileage. The fitting of tachographs now enables an insurer accurately to assess the mileage covered each year by all the vehicles in the fleet.

The new policy, known as the mileage policy, was introduced this month. The operator estimates the annual mileage in units of 1,000 miles expected to be covered by his fleet in the policy year. This will probably be based on past records. The insurance company assesses the risk and the cost of insurance based on this mileage figure. At the end of the year, the premium is adjusted—up or down—according to the mileage actually done by the fleet.

Rebate

Thus the haulier could receive up to a 20 per cent rebate on his insurance premiums, the maximum reduction under this contract, though the converse applies in that he could have to pay more because the mileage has exceeded that originally estimated. Hogg Robinson feel that operators will accept this feature.

The main criticism of the present method of rating—based on the number of vehicles in the fleet—is that they are having to pay for insurance cover while lorries are laid up in their lorry parks, where the insurance risk is minimal.

In the current recession this is happening more and more and operators already under financial pressure do not like having to pay more in insurance than is necessary for the risks being incurred.

The new policy effectively relates the premium paid more closely to the risks being insured: much more closely than has been possible under the previous systems.

But Hogg Robinson has not stopped there. It has taken the opportunity to offer a variety of options incorporated in the policy so that the operator can have all his insurance requirements in one contract.

This includes a good-in-transit section that Hogg Robinson claims will provide fleet owners with a greater degree of cover compared with the present conventional schemes. This section is based on a unit basis for the contents—with containers covered for up to £5,000 each and overall cover—up to £250,000 for any one vehicle and £1m for any one occurrence.

The policy can be extended to insurance for buildings under the fire, special perils and burglary cover.

Hogg Robinson reports a keen interest being shown by hauliers in this new concept and expects other brokers and insurers to follow its lead. But considering the time taken by the company to put the new scheme together, it could be well into 1982 before a similar scheme appears.

So other insurers will have to rely on the present methods of rating, based on numbers of vehicles and be prepared to reduce the overall premium cost in order to compete.

This type of rating is, however, suitable mainly for large fleets where the costs of insurance has been somewhat related to the individual experience of the operator. Small fleets have always been rated on a system that is familiar to motorists, with the premiums charged being related to the make of lorry, the area of operation and other relevant factors.

Fleet operators will still be looking at ways of saving costs on insurance and there are one or two basic means of doing this. He can move more towards carrying the risk himself—what is known as self-insurance. Under this system, the fleet operator insures for his legal requirements and carries the rest of the risks himself.

In theory an insurance company only pays out between 60p and 65p in claims for every £1 received in premiums, the rest being absorbed in costs and profit, if any. A large operator with a spread of risk should be able to save on administration by self-insuring. But in practice a series of accidents can prove very expensive.

The other method of saving on costs arises if the operator is prepared to carry the first part of any claim costs—technically known as excesses. Thus if the comprehensive insurance has an excess of £100m, then the operator pays the first £100 of any claim. With such an excess, the insurer is saved the bother and expense of handling small claims where unit costs are high. In return the operator has his premium rates reduced, usually saving more on the insurance than he spends on the accidents.

With an excess the operator is insuring for the cost of replacing a vehicle should it be severely damaged, but not the cost of replacing a damaged wing mirror. But its effectiveness of the excess depends on the level chosen.

In both these cases expert advice from the insurance broker is essential. Most major brokers have qualified risk management teams that can advise on safety and reducing accidents.

The insurance of contents being carried by lorries known as goods in transit—is often a separate insurance arrangement. Lloyd's syndicates tend to specialise in one type of insurance, such as fleet, or goods in transit or in liability. The operator needs to cover the loss or damage to goods while being carried in his vehicles and he needs to cover his liability towards the owner of those goods.

Theft is one major risk of goods in transit. The mid 1970s saw an alarming rise in such thefts and insurers have adopted much tougher attitudes towards operators.

Insurers insist on overnight garaging or lorries being left in approved lorry parks. The warranty could be broken if lorries are left unattended and the insurance invalidated.

Eric Short

EUROPEAN GLASS INDUSTRY

A cosy arrangement shatters

By Ian Rodger

A CLASH of Titans is underway in the European float glass industry.

The beginning of marketing operations this month by newcomer Guardian Industries marks the final collapse of the cosy arrangements of the past, under which two French companies divided up most continental markets while Pilkington Brothers had Britain pretty much to itself.

Given the depressed state of most glass markets today, a long and costly struggle for market shares can be expected. Pilkington's share of the UK market, for example, plunged from 80 per cent to less than two-thirds in 1980 as the strength of the pound attracted intense competition from continental Europe and elsewhere.

The main cause of the current upheaval was the decision by France's BSN-Gervais-Danone in 1979 to abandon the flat glass industry, thus putting a third of the industry's capacity up for sale. Pilkington bought BSN's important German subsidiaries, then Asahi Glass of Japan picked up the lossmaking Belgian and Dutch plants and last month PPG Industries of the U.S. took over French operations.

And whereas under the former Queensberry-like rules, BSN's glass companies stuck mainly to their designated markets, the three newcomers feel no such inhibitions.

"We see this as a strategic opportunity to strengthen our position in Europe," Mr Frank Breeze, senior vice-president of PPG, the U.S. industry leader, said. PPG, formerly Pittsburgh Plate Glass, also has a small glass-making business in Italy.

Competitive conditions are being accentuated by the prospect of increased import penetration from currency-hungry East European countries and by Guardian's start-up last month in Luxembourg.

Guardian barged into the flat glass business 11 years ago in Detroit and has stunned established producers with its rapid growth and high profits there. It is already the fourth largest producer in the U.S. with about a 13 per cent market share, and European producers must be worrying about how successful it will be on this side of the Atlantic.

Unlike Guardian, most glass companies have very deep roots. La Compagnie de Saint-Gobain, the European industry leader, was formed more than 300 years ago to make the glass for the Palace of Versailles. William Pilkington started up the St Helens Crown Glass Company in 1826.

Pilkington's invention in 1958 of the float process, which consists of floating a continuous layer of molten glass on a bed of molten tin, permitted a spectacular improvement in optical quality and versatility of glass with, at the same time, a *dramatic reduction in the number of workers* needed to make it.

Pilkington chose to adopt an open licensing policy and so the use of the float process spread rapidly. The first effect of this was that producers became burdened with large numbers of employees they did not need. Initially, this problem was eased because companies found they could charge prices for float glass related to the high value customers placed on it.

TWO YEARS OF DRAMATIC CHANGES IN EUROPE

	Number of float lines		Capacity (tons per day)	
	early 1980	early 1982	early 1980	early 1982
Saint-Gobain	11.5	11.5	5,500	6,000
Pilkington	4	8	1,750	4,750
PPG	1	3	500	1,650
Asahi Glass	nil	2	nil	1,300
SIV (Italian Govt.)	1.5	1.5	700	770
Luxguard	nil	1	nil	500
BSN-Gervais Danone	7	nil	4,150	nil
Total	25	27	12,600	14,970

Source: La Compagnie de Saint-Gobain

However, the float process turned flat glass into a commodity that could be produced as well by one manufacturer as another. Prices had to come down to cost-related levels, a process that has probably been accelerated by the emergence of Guardian which does not share the burden of traditional manning levels. Saint-Gobain cut its glassmaking staff by a third, to 4,000 between 1978 and 1980. Pilkington has shed more *than 3,000 of its 20,000 UK* workforce in the past two years.

Guardian's Luxembourg float line is adding about 3 per cent to European capacity. The company's executives argue that this is too insignificant a quantity to have much effect on other producers. But most float lines in Europe are running at less than 80 per cent of capacity, compared to a break-even point of about 75 per cent. If demand remains weak, all producers are going to be hurting.

More than half of all flat glass produced goes into buildings, and the growth segment in the past few years has been double glazing for existing homes. The other major market is the motor industry, which normally takes about 20 per cent of output.

The double glazing market is said to be holding up fairly well but competition has become *ferocious as the new housing* market has faded. The number of new houses built in the EEC has dropped steadily for the past four years, last year's total being 20 per cent lower than the 1977 figure.

Vehicle production in Europe peaked at about 12.5m units in 1979 and has since fallen some 11 per cent to an estimated 11.1m units last year.

Glass producers are shy about revealing their price lists, but Saint-Gobain says that the price of standard 4mm sheet is now the same as it was five years ago in real terms. In the meantime, prices of fuel and raw materials, which account for about half of production costs, have soared.

M Xavier de Villepin, president of Saint-Gobain's flat glass division, says the company is barely breaking even in automotive glass and losing money on double glazing. Pilkington last month reported a £30.7m loss in its UK businesses in the first half of its year to March after a £12.5m loss in the UK in the whole of the previous year.

It is difficult to see any early relief from the current conditions. Indeed, they stand to be aggravated as more capacity comes on stream. PPG is building a 500-ton-per-day float plant at Salerno in Italy which is scheduled to come on stream next year. As it is intended to replace old sheet glass capacity, it should not have much impact.

But the same cannot be said with confidence about the three new float plants, two of which are still under construction, in Eastern Europe.

Export possibilities have improved with the weakening of European currencies but producers expect the long term downward trend to continue as Third World countries develop their own glassworks.

In the long term the industry's health depends on the building and motor industries, and opinions vary significantly on the prospects for a return to strong growth in either.

"The demand for housing is there and will have to be satisfied in some manner," Mr Breeze of PPG said. "And there are always going to be automobile producers in Europe."

Others doubt that the European motor industry will be able to maintain its market share in the future and if it does, it will have to buy more and more of its components, including glass, on an international basis.

There was a possibility last year that one of the loss-making Belgian glass plants of BSN's subsidiary, Glaverbel, would not attract a buyer and so would be shut down, thus easing the industry's overcapacity problem.

But the takeover of Glaverbel by Asahi last spring chilled the blood of other European producers. Asahi, which has 50 per cent of the Japanese market, is as efficient as Guardian and eager to apply its skills to improving Glaverbel's competitive position in Europe. Significantly, it sees the Glaverbel acquisition as only a beachhead in Europe.

Of course, if demand suddenly picks up, the picture could change radically. But for the moment, overall demand is growing at only 1 per cent a year. And no one looks ready to give up the battle.

"We are all going to suffer more or less, depending on our efficiency," Mr de Villepin said.

'They really have been rather badly brought up'

Glass producers' passions run high on the subject of Guardian Industries, a small family glass fabricating business in Michigan that 11 years ago dared to start making its own glass.

First, there was the question of paying to Pilkington Brothers a licence fee for using the float process. Legend has it that Guardian had hired an engineer from another glass producer and was capable of building a float line without any help from Pilkington.

"There was a lengthy discussion and negotiation period before we agreed to take out a licence," Mr Richard A. Griffin, Guardian's treasurer, admits. "And we had started construction before the discussions were completed."

Guardian then refused to pay any licence fee for its new plant in Luxembourg, the first float ever to do so. Guardian maintains that it did not need a licence because it used its own production technology, but this is contested by Pilkington.

"They really have been rather badly brought up," one European glass executive says.

They have also been extremely successful. Turnover has grown from $50m in 1971 to $299m in 1980 and net income from $4m to $27.5m.

Guardian is also by common consent one of the most efficient operators in the industry, turning over its stocks 10 times a year and making a return of more than 20 per cent on its capital before interest. By contrast, Pilkington turned over its stocks only four times in 1980 and had a return on capital of less than 5 per cent.

Guardian first took a look at the European market about four years ago. At the time, demand for double glazing was soaring and a number of independent distributors and fabricators had become disgruntled with the established producers' practice of supplying their own subsidiaries before the independents. A group of them got together and formed a joint venture with the young U.S. producer called Luxguard.

Today, as Luxguard begins production, the scene looks somewhat different from when the project was launched two years ago. The stagnation of demand and the rise of the dollar against European currencies has meant that European margins in dollar terms are no longer any better than those in the U.S. Moreover, there are now potentially four other large competitors in each national market in Europe, not just two as before.

Luxguard reports that it is selling all the glass it can produce in its current start-up phase—about 300 to 400 tons a day—and it is not undercutting prevailing prices. Guardian has recently backed its optimism by buying control of a Spanish glass company for $40m.

"We worry about getting our deliveries out, not about the overall view," Mr Dean Wiley, managing director, said.

Lombard

Pyrrhic win for Budget wets

By Samuel Brittan

THE LACK OF economic sophistication of the self-proclaimed "wet" opponents of the Government's financial strategy is playing into the hands of Treasury strategists. Irrespective of the leaks fed to the following day's Press, the Chancellor can well afford a little blood-letting at next Thursday's much-publicised Budget Cabinet, if he plays his cards anything better than abysmally badly.

The moderate "wets" have made it known that they will be insisting on £2bn to £3bn of so-called "reflation"—that is, tax reliefs and expenditure increases. The sum involved will be ridiculously small by the standards of the old-fashioned Keynesian arithmetic designed to spend ourselves into full employment.

The over-whelming silliness of the £2bn-£3bn demand is that it is a figure hanging in the air. Its advocates do not bother to relate it to either the 1981-82 out-turn or the 1982-83 outlook.

If the Public Sector Borrowing Requirement (or any other alternative measure of the fiscal gap) were expected to soar, this new injection would be adding to a stimulus already in the pipeline. If on the other hand the PSBR is falling sufficiently rapidly, discretionary reliefs of this amount would be consistent with a continued slow-down in the growth of monetary demand.

The latter prospect more nearly corresponds to the truth. The best guess for the 1981-82 outcome is a PSBR of slightly less than the original £10½bn estimate. According to the Financial Strategy it ought to fall to about £9bn in 1982-83. The odds are that the forecast will be for a slightly lower figure still before any changes other than the routine Rooker-Wise indexation of income tax thresholds (which was not carried out last year) and of specific duties.

This is not the result of any major change in the new economic forecasts, which are likely to contain an estimate of the output rise for this year similar to the 1 per cent shown in the previous forecasts.

Some acceleration should be shown for early 1983. Those advisers who are more optimistic are not arguing against the forecast (even after the new interest rate trend) as there is *little to be lost politically from* an under-estimate.

A reasonably favourable PSBR outlook is assured, however, by a combination of energy asset sales and some slippage of this year's revenue into next, due to the Civil Service strike, amounting to a combined bonus of well over £1bn. Fortunately for the Chancellor, those who regard the bonus as largely cosmetic tend to favour a higher PSBR anyway, while the City and political advocates of *stringency tend to take figures* at their face value.

Thus the Chancellor can grant up to £1bn of the "wets" demands without departing from the letter of the Strategy. This would finance a 1 per cent reduction in the employers' National Insurance Surcharge with a little to spare. Even if he went towards £2bn he might still be able to say the PSBR was falling slightly in money terms, and quite substantially as a proportion of the GDP.

He could also pray in aid some recession adjustment in the target figure—which ought to be on a cyclically adjusted basis—and also an improved productivity trend, which reduces the inflation risk.

Of course one or two of the "wets" such as Mr Peter Walker may have cottoned on to the arguments in this article and raised their "reflation bid" to say £5bn. If so they will come up against the mainstream British Tory dislike of "extremism" or anything far out, which kills good and bad ideas alike.

Thus the main argument will be in the range of £1bn to £2bn of reliefs, which by this stage is as unimportant and trivial as it is boring. A really "practical man" should be far more interested in the restatement of the long-term Strategy and in exchange rate and interest rate policy. Nevertheless, uncertainty is not a reason for going to the top end of the Budget range, except for the logically illiterate.

Letters to the Editor

A better flow of sweet water

From the Chairman, National Water Council

Sir,—It is excellent news that the European Court of Auditors pick out water supply projects as making "a substantial contribution to meeting the needs of large populations" (your report, January 15).

In this country we have good water readily accessible to virtually everyone. We know its benefits (even if we take them for granted most of the time). So we should certainly understand the strength of the case for supporting the spread of these benefits in developing countries. This requires money, the transfer of skills, and personal commitment. Each of these is flowing, but needs to flow yet more strongly.

On money, most of that required for programmes in the United Nations Water and Sanitation Decade has in any event to be found by the developing countries themselves. But aid from UK and other "water-rich" countries is still crucial.

Through ODA, this Government have somewhat increased the funds assigned specifically to water projects. This is welcome. In the first year of the Decade—but the effort needs to be sustained. Better water services give an excellent return in developing communities in greater capability to work via better health. This is literally aid helping self-help.

On skills, UK consulting engineers and manufacturers are working across the world on water projects and this Council's International Advisory Service is joining with them offering its experience of training, operation, maintenance, storekeeping and the like. UK universities and colleges are also active in water education for overseas professionals.

On personal commitment, the water industry, public and private, have formed a new charity—called WaterAid—to encourage personal and corporate giving in support of water programmes overseas. WaterAid aims to provide professional and personal skills, training and other help to poor communities overseas for simple technology schemes and other activities for which commercial arrangements are not appropriate. Oxfam, VSO and others have given us much encouragement in this, and some other developed countries are reportedly about to follow our lead.

I have referred to the commercial work, academic contributions and individual commitment alongside the Government aid because I believe they are not only compatible with each other but interdependent. They all need to be steadily increased. The only way to keep water projects effective, as the European auditors find they have been recently, is to go on offering developing countries a wide range of help (in kind and cash) to be fitted into their own circumstances and initiatives.

(Sir) Robert Marshall

1, Queen Anne's Gate, SW1.

Corporation tax reform

From Mr C. Dauris

Sir,—The authors of the Green Paper on Corporation tax seem to set limits to the discussion. These are that there should continue to be a tax on net profit and that any changes from the present system should be "revenue neutral." Yet even within these limits they overlook the opportunity for radical reform.

In discussing all major taxes, whether on income, capital, profit, or spending, the uncritical assumption that we must have a high basic rate and numerous reliefs is very widespread. While this is understandable in politicians who can make changes in such systems to give short-term relief without undue concern for the long-term distortions, businessmen looking for a healthy economy rather than specific advantage for their own companies ought to take a different view.

The complexity of corporation tax rules leads to inequity between businesses. There are 100 per cent capital allowances for plant and equipment, lower allowances for industrial buildings, but none for commercial buildings. With the new system of stock relief, based on an average index, some industries gain while others lose. Businesses make deals to obtain fixed advantage when commercially there is little justification for them.

Those severe drawbacks follow from the tax's being levied at 52 per cent or 40 per cent. If the classical system was reintroduced and the rate was lowered to 10 per cent there would be no need for the reliefs. There would be the bonus that the so far inconclusive debate about allowing for inflation would become practically irrelevant.

The Revenue should be satisfied in having a system simple to administer but yielding a similar amount of tax to the present. The economy should benefit because efficient businesses would not be liable to be severely penalised and because business decisions would be made on the basis of commercial, not fiscal, advantage.

It could be objected that there would be a greater disparity between the taxation of incorporated and of unincorporated businesses, if a low rate of corporation tax were introduced. This distortion could be removed if, subject to safeguards, only drawings for unincorporated businesses were subject to income tax. As you pointed out in your leading article (January 8), a radical reform of corporation tax should lead to a review taking in personal tax too. It would come none too late.

Colin Dauris.

Goodalls,
Middle Street,
Nazeing,
Essex.

Spiralling cost of sending a message

From Mr A. J. Spiro

Sir,—This morning British Telecom advertised extensively in the national Press their Telemessage service which will guarantee delivery of a 50-word message the morning after it is received by British Telecom.

The advantages of the scheme, according to British Telecom, are:—

1—A brightly coloured envelope.

2—Guaranteed delivery or money back.

3—Messages can be sent by telex or phone.

The cost of this splendid new service: a mere £3.45 (including VAT) for 50 words.

I shudder to think what the cost of launching this new service is; probably in excess of £100,000 when advertising and administration expenses are included. If, instead of wasting public money on Telemessage, British Telecom spent it on improving the existing postal service, there would be no need to lay out £3.45 to receive a letter by what used to be called first-class post!

A. J. Spiro

Odell, 70, High Street,
Teddington, Middlesex.

Consider changing the system

From Mr A. Jacobs.

Sir,—It is ironical that the two main political Parties, having opposed proportional representation for many decades, continue to do so in the changed political circumstances of today. Peter Riddell, your Political Editor, makes clear (January 14) that there has been no weakening in their resistance to a change to proportional representation.

The unjustness of the first past the post system which has kept Labour or Conservatives in power since 1945 is likely to be ended at the next General Election in the same unjust manner. For whilst the Liberals only secured 2 per cent of the seats for 19 per cent of the vote in 1974, if the Alliance gains over 30 per cent of the vote it will very likely achieve 25 per cent of the seats, and if it were to gain 44 per cent of the vote would achieve substantially more than 60 per cent of the seats. Such are the inequitable distortions of the present electoral system.

It seems, therefore, reasonable to conclude that if the Alliance gains a substantial percentage of the vote at the next General Election that the other Parties will very rapidly see the advantages, if not the dire necessity, for a change in the electoral system if the percentage of seats they achieve is substantially lower than their proportion of votes. Some might conclude that they ought to consider changing the system before the General Election.

Anthony Jacobs,
9, Nottingham Terrace,
NW1.

Insuring the building

From Mr R. Howe,

Sir,—Eric Short on building insurance (January 2) brings to light the constant attempts of the insurance industry to increase its charges. Value must surely be market value and, despite protestation to the contrary, the market price is, unfortunately, the worth of the property. Case law rests on this premise.

To include extra charges for architects fees, specialists to "count the number of bricks" in order to measure up the size of the house etc., to name but a couple of side shows, clearly indicates the intention of the insurers. It might be pertinent to show that many owners would clear up their own mess and indeed buy elsewhere selling the potential building plot thus cleared to help the proceeds (in addition to the amount the insurers provide). No provision is made in the policy to enable this to lower the fee.

Cost of building materials these days, when carefully purchased can be up to 50 per cent less than the apparent market value and no allowance is made for such prudent purchases. Insurers must not expect to hang on by these types of exigencies.

Ronald Howe,

Takarazuka,
Manor Road,
Doddington, Kent.

UK COMPANY NEWS

Avon Rubber confident after reorganisation

DESPITE industry problems continuing to affect the group's tyre businesses, Avon Rubber is confident that a sound base on which to build has been provided by the £3m restructuring of last year together with progress already achieved in new business areas, Lord Farnham, chairman, tells members in his annual review.

He adds that as in the year ended October 3 last, the second six months of 1981/82 is likely to produce a stronger performance than the first.

As reported on December 10 this Wiltshire-based tyres and industrial products concern made a second-half profit of £752,000 which held the deficit at £762,000 for the full period. This compares with a surplus of £840,000 previously.

Reorganisation costs amounted to £1.45m in the first half and £1.69m in the second six months.

Group sales for the 12 months amounted to £153.92m, against £155.69m, and with the pre-tax result were divisionally split as to: tyres/Motorway £91.46m (£88.19m) and £812,000 loss (£1.06m profit); Bridgend £8.06m (£10.82m) and £953,000 loss (£331,000); industrial polymers £27.09m (£27.6m) and £19,000 profit (£428,000); medicals £2.49m (£6.57m) and £202,000 loss (£797,000); inflatables £5.52m (£5.26m) and £106,000 loss (£656,000); Lippiatt Hobbs £19.29m (£17.26m) and £1.19m profit (£1m); associates profits £101,000 (£125,000).

Motorway Tyres and Accessories had a successful year, Lord Farnham states, and a number of additional outlets were acquired, which increased national coverage. At Bridgend, demand for the group remaining engineering products improved, as did the market for process materials for the remould industry, "and this favourable trend has continued in the current year," the chairman says.

Industrial polymers company made a good recovery in the second half, with increased orders from overseas markets for dairy, automotive, aerosol and other components, and the New Year has started profitably.

Avon Lippiatt Hobbs made excellent progress during the year and to support the growth of its business in North America, a manufacturing company was opened in Illinois and, since the year end, a 76 per cent interest was acquired in Norbren Resins, for £456,000.

The chairman adds that other new opportunities have been identified and progress is expected to continue during 1981-1982.

As at October 3 the balance sheet shows shareholders' funds of £24.15m, compared with £27.14m a year earlier, fixed assets £18.22m (£21.51m), current assets £57.68m (£58.89m), current liabilities and provisions £36.82m (£40.7m), and loans and overdrafts of £15.06m (£11.97m).

Net liquid funds decreased by £1.57m, against a £718,000 increase. On a CCA basis the pre-tax figure is increased to £4.7m.

Meeting, Melksham, Wiltshire, on February 15 at 2.30 pm.

Eagle Star bonus rates raised

HIGHER BONUS rates for 1981 have been declared by the Eagle Star Group, with the company moving on to a "super-compound" system for ordinary life contracts.

Here the rate on the basic sum assured remains at 5 per cent but that applied to attaching bonuses is lifted by £1 to £6 per cent. The terminal bonus for claims in 1982 is improved from 25 per cent to 30 per cent of attaching bonuses.

On the Personal and Executive Pension Plans, the rate is increased by 70p to £5.50 per cent of the basic benefit and attaching bonuses, while the terminal bonus, paid when the policy vests, is doubled to 20 per cent of attaching bonuses.

On group pension schemes, the rate is lifted 50p to £6 per cent compound, with the final maturity bonus raised from 45 per cent to 50 per cent of the total benefits, with a higher bonus for lower pension ages up to 55 per cent for age 60.

Camford loss moves to £1.46m

INCREASED SECOND half taxable losses of £1.18m, against £531,000, brought the total losses for the year to September 30, 1981 of Camford Engineering to £1.46m compared with profits of £376,000. Turnover for the 12 months fell from £42.64m to £38.44m.

The final dividend of this metal pressings and stampings manufacturer is being missed — the last distribution was an interim of 1.63p net per 25p share made in 1980. Losses per share are given as 7.79p (1.37p earnings).

Attributable losses emerged at £1.54m (£251,000 profits) after a tax credit of £20,000 (£126,000 charge), minority credits of £34,000 (£2,000 debits) and an extraordinary debt of £127,000 (£3,000 credit).

The extraordinary item consists of the net costs of redundancies within the group — last year's figure was the surplus on the disposal of land and buildings.

As announced on August 28, 1981 an internal investigation into the affairs of a subsidiary revealed discrepancies in its accounts resulting from the falsification of accounting entries by a former employee. This had lead to the turnover and profits being overstated by £200,000 in 1979 and £575,000 in 1980.

FT Share Information

The following securities have been added to the Share Information Service:

Greenwich Cable Communications (Section: Leisure)

21st Century Distribution Corporation (Leisure)

Sterling Trust revenue slips

Revenue attributable to ordinary shareholders of the Sterling Trust slipped marginally from 1.59m to £1.57m in 1981 with the earnings per 25p share stated at 9.55p against 9.77p.

At the half year stage the company had already fallen behind with net revenue of £731,548 (£803,223).

The final dividend is being maintained at 6.5p net per share, making a same again total of 9.5p. The total payout for the year absorbs 1.57m (1.55m).

Gross franked income fell from £2.05m to £1.97m, while unfranked income rose from £439,000 to £641,000. Deposit interest of £103,000 (£238,000) and underwriting commission of £23,000 (£9,000) brought the gross revenue to £2.74m (same).

The attributable revenue was struck after management expenses of £160,000 (£144,000), debenture and loan interest of £131,000 (£148,000), tax of £838,000 (£821,000) and preference dividends of £32,000.

Net assets per share are given as 301.5p (278.9p) and as 301.2p (277.9p) assuming full conversion of the loan stock.

United States & General rises to £932,930

REVENUE attributable to ordinary shareholders of the United States and General Trust Corporation advanced from £888,333 to £932,930 in 1981 and the final dividend is being raised from 6.5p net to 7.5p per 25p share, making a total for the year of 1.5p against 10.5p. Earnings per share of this investment trust are stated 0.5p higher at 11.51p.

Gross revenue of £1.57m (£1.47m) was made up of franked investment income of £1.17m (£1.14m), unfranked investment income of £321,546 (£250,417), deposit interest of £62,201 (£74,881), and underwriting commission of £14,198 (£8,815).

After management expenses of £82,781 (£62,714), directors fees of £12,000 (same), and auditors and trustees fees of £3,500 (£2,850), taxable profits emerged at £1.47m (£1.39m).

Tax took £507,069 (£474,110) and preference dividends came to £30,476 (same). Ordinary dividends absorb £932,018 (£850,973).

Net assets per share, after deducting prior charges at repayment value, are given as 362.3p (330.8p) xd.

The Prudential Corporation now holds 600,000 ordinary shares in the trust, representing a 7.4 per cent holding.

Gnome Photo optimistic

TAXABLE PROFITS of Gnome Photographic Products, which makes and sells photographic and visual aid equipment, fell from £133,071 to £126,509 in the first half to November 30 1981 on increased sales of £795,391 compared with £700,245.

Earnings per 10p share are given as 2.947p (2.909p)—last year a single maintained dividend of 4.15p net was paid.

The directors say that every endeavour will be made to make the best of the conditions, in which expenses over which they have no control continue to rise and cannot be offset by increased prices, and trust that these efforts will be fruitful at the year end.

The pre-tax profits were struck after dividends and interest received of £58,073 (£68,425). Tax took £52,500 (£60,000) and with profits on the sale of investments of £23,870 (£9,784) the attributable surplus emerged at £97,879 (£82,855).

Downturn at Midland Trust

Net revenue of the Midland Trust fell from £151,081 to £121,149 in the first half ended December 31 1981, and earnings per 25p share are stated down at 2.87p, compared with 3.58p.

However the interim dividend of this investment trust is being maintained at 2.45p net per share. Last year a total of 5.3p was paid out of net profits of £297,090 (£306,775).

The gross income from investments declined from £218,057 to £176,442. After preference dividends of £926,000 (same) the amount attributable to ordinary shareholders emerged at £120,493 (£150,155).

Investments were valued at £5.4m (£5m) on December 31 1981 and net assets per share are given as 127.5p (117.5p).

ARBUTHNOT STERLING FUND (open ended investment company, investing in short-term securities) — Gross revenue for six months to October 31 1981 £50,470 (£60,296); tax £300 (£425); revenue after tax £7,699 (£21,364); net asset value per share 131.04p (116.56p).

Watts, Blake, Bearne expands in Germany

Watts, Blake, Bearne and Company's German subsidiary Fuchs'sche Tongruben is acquiring from Westerwalder Keramik-Massen-Aufbereitung assets relating to the production of prepared body compositions, which are sold ready for the fabrication of ceramic articles.

To allow for any expansion Fuchs'sche has also purchased 0.5 hectares of land and has the right to purchase a further 0.75 hectares adjacent to the works from the owner of Westerwalder.

The acquisition will enable Fuchs'sche to expand production of body compositions, which were introduced into the product range in 1980.

The consideration is £802,083 cash—half has been paid and the balance is payable in two equal instalments. The consideration will come from the group's German resources.

Fuchs'sche has also agreed to acquire from Mr Bertil Fuchs and Peter Fuchs KG — a limited partnership controlled by Mr B. Fuchs — certain properties, namely the freehold reversion in the head office and adjacent land and buildings, 5.7 hectares of land and six mineral concessions nearby at Wirges and an option to acquire a further 12.5 hectares of land at Ransbach-Baumbach. The option is exercisable on or before December 31, 1982 at £6,944 per hectare.

SHARE STAKES

Western Board Mills — Mr H. H. Vogel, chairman, sold 50,000 ordinary shares.

Hickson and Welch (Holdings) —The Government of Kuwait has reduced its holding from 8.7 per cent to 7.96 per cent, in the ordinary shares (1,154,000).

Emess Lighting — Sphere Investment Trust has increased its holding to 200,000 ordinary shares (14.9 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Mercantile House, Palmerston Investment Trust, David S. Smith, William Sommerville.

Finals: Alexanders Discount, Allied Textile, A. Kershaw, Meggitt, Rank Organisation.

FUTURE DATES

Interims—

Garford-Lilley Industries ... Jan 29
Pullman (R. and J.) ... Jan 27

Finals—

Adams and Gibbon ... Feb 18
Blundell-Permoglaze ... Feb 4
Henlys ... Jan 28

SPAIN

1981-82 High	Low		Jan 22 Price %
350	251	Banco Bilbao	343
359	280	Banco Central	354
323	229	Banco Exterior	316
337	239	Banco Hispano	334
128	115	Banco Ind Cat	115
383	284	Banco Santander	359
219	148	Banco Urquijo	217
395	263	Banco Vizcaya	389
252	203	Banco Zaragoza	231
165.5	82	Dragados	152
75	45	Espanola Zinc	60
72	35	Fecsa	62
65	22	Gal. Preciados	48
82.7	63.5	Hidrola	67.7
62.5	50	Iberduero	55
102.5	70	Petroleos	97
104	70	Petroliber	98
102	30	Sogefisa	30
72	60	Telefonica	72
78.2	60	Union Elect.	56.2

BASE LENDING RATES

A.B.N. Bank	14 %	Robert Fraser	15 %
Allied Irish Bank	14½%	Grindlays Bank	‡14 %
American Express Bk.	14½%	■ Guinness Mahon	14½%
Amro Bank	14½%	■ Hambros Bank	14½%
Henry Ansbacher	14½%	Heritable & Gen. Trust	14½%
Arbuthnot Latham	14½%	■ Hill Samuel	§14½%
Associates Cap. Corp.	15 %	C. Hoare & Co.	†14½%
Banco de Bilbao	14½%	Hongkong & Shanghai	14½%
BCCI	14½%	Knowsley & Co. Ltd.	15 %
Bank Hapoalim BM	14½%	Lloyds Bank	14½%
Bank Leumi (UK) plc	14½%	Mallinhall Limited	14 %
Bank of Cyprus	14½%	Edward Manson & Co.	15½%
Bank Street Sec. Ltd.	16 %	Midland Bank	14 %
Bank of N.S.W.	14½%	■ Samuel Montagu	14 %
Banque Belge Ltd.	14½%	■ Morgan Grenfell	14½%
Banque du Rhone et de la Tamise S.A.	14½%	National Westminster	14½%
Barclays Bank	14 %	Norwich General Trust	14 %
Beneficial Trust Ltd.	15½%	P. S. Refson & Co.	14 %
Bremar Holdings Ltd.	15½%	Roxburghe Guarantee	15 %
Bristol & West Invest.	16 %	E. S. Schwab	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14½%
■ Brown Shipley	15 %	Standard Chartered	‖14 %
Canada Perm't Trust	15 %	Trade Dev. Bank	14½%
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	14 %
Cayzer Ltd.	15 %	TCB Ltd.	14 %
Cedar Holdings	15 %	United Bank of Kuwait	14 %
■ Charterhouse Japhet	15 %	Whiteaway Laidlaw	15 %
Choulartons	15 %	Williams & Glyn's	14 %
Citibank Savings	¶15 %	Wintrust Secs. Ltd.	14 %
Clydesdale Bank	14 %	Yorkshire Bank	14 %
C. E. Coates	15 %		
Consolidated Credits	14½%		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	14½%		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E.T. Trust	14½%		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%. 1-month 12.75%. Short term £8,000/12 month 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13%, and over £50,000 13¼%.
‡ Call deposits £1,000 and over 12%.
§ Demand deposits 12½%.
¶ 21-day deposits over £1,000 13½%.
‖ Mortgage base rate.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Assoc. Dairies	Jan 27	Int. 1.75	*ICI	Feb 25	Sec. int. 5.0
Assoc. Fisheries	Feb 19	Final 0.75	*Imperial Gp.	Feb 11	Final 4.5
Ault and Wiborg	Mar 6	Final 1.05	*Lloyds Bank	Feb 19	Final 9.6
Barclays Bank	Mar 5	Final 9.25	Lonrho	Feb 5	Final 8.0
Bibby (J.)	Mar 5	Final 4.925	Marchwiel	Feb 19	Final 3.5
Birmid Qualcast	Feb 18	Final nil	*Mercantile House	Jan 25	Int. 8
British Vita	Mar 3	Final 3.6	Mitchell Cotts	Mar 5	Int. 0.825
Brown Bros.	Feb 28	Int. 1.0	*NatWest	Feb 23	Final 12.25
*Brown (J.)	Jan 29	Int. 1.75	Nottingham Manufacturing	Feb 22	Final 3.0
Carrington Viyella	Feb 25	Final 0.4	Plessey	Feb 26	Int. 2.22
City Offices	Feb 10	Sec. int. 1.8	*Rank Org.	Jan 25	Final 8.0
Commercial Bank Aust.	Feb 25	Int. 10 cents	*Ransomes Sims and Jefferies	Mar 4	Final 8.0
Commercial Union	Feb 24	Final 6.4	Rentokil	Mar 5	Final 1.6
Cons. Gold Fields	Jan 28	Int. 9.5	Royal Insce.	Mar 2	Final 13.35
*Dasjon	Jan 27	Int. 1.225	Securicor	Feb 18	Final 1.44
Dalgety	Feb 16	Int. 11.0	Security Services	Feb 18	Final 1.8
*Dowty	Jan 21	Int. 2.2	Sime Darby	Feb 15	Int.
*Eurotherm Int.	Jan 27	Final 3.0	Smith Bros.	Feb 19	Int.
Fisons	Mar 2	Final 3.1	Steel Potts	Mar 5	Int.
*Fitch Lovell	Jan 28	Int. 1.491	Unilever	Mar 5	Final 13.59
General Mng.	Mar 5	Final 100c	*Union Discount	Jan 27	Final 16.0
*Gold Fids. SA	Feb 2	Int. 125c			
Guinness Peat	Feb 10	Int. 2.75			
Hoover	Feb 23	Final 2.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective January 23

Years	Quota loans repaid by EIP†	by A‡	At maturity§	Non-quota loans A* repaid by EIP†	by A‡	At maturity§
Up to 5	16¼	16¼	16⅜	17	17	17⅛
Over 5, up to 6	16¼	16⅜	16⅜	17⅛	17¼	16⅞
Over 6, up to 7	16⅜	16⅜	16⅜	17⅛	17¼	16⅞
Over 7, up to 8	16⅜	16⅜	16⅜	17⅛	17⅛	16⅞
Over 8, up to 9	16⅜	16⅜	16¼	17⅛	17⅛	16¾
Over 9, up to 10	16⅜	16⅜	16⅛	17⅛	17⅛	16⅝
Over 10, up to 15	16⅜	16¼	16	17⅛	16⅞	16½
Over 15, up to 25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over 25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley (0226 203232)	14½	½-year	1,000	3
Knowsley (051-548 6555)	14½	½-year	1,000	4-8

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Capitalisation £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
1,204	ABI Hldgs. 10pc CULS	121	+2	10.0	8.3	—	—
3,984	Airsprung	68	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1,150	Armitage & Rhodes	43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12,342	Bardon Hill	202	+3	[illegible]	[illegible]	[illegible]	[illegible]
6,248	Deborah Services	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4,111	Frank Horsell	129	+2	[illegible]	[illegible]	[illegible]	[illegible]
10,835	Frederick Parker	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
904	George Blair	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3,818	IPC	83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,520	Isis Conv. Pref.	105	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,429	Jackson Group	91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16,734	James Burrough	114	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,581	Robert Jenkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,700	Scruttons "A"	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4,078	Torday	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,778	Twinlock Ord.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2,047	Twinlock 15pc ULS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4,425	Unilock Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3,505	Walter Alexander	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5,041	W. S. Yeates	216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prices now available on Prestel page 48146.

CREDITS

Argentine deal raises more than expected

THE $400m, eight-year credit for Argentina's state-owned oil concern YPF will probably be remembered as the most maligned Euromarket deal in the new year of 1982.

Criticised for both the unpopularity of the borrower—the recent economic and political chaos has done little to enhance Argentina's international credit rating—and for its complicated structure, the deal was being described as a dismal failure last Friday even by bankers quite closely associated with it.

Yet in fact YPF has raised more from the market than many people anticipated. As syndication was drawing to a close last Friday agent Chase Manhattan revealed that about $185m had been committed, comprising $130m from second-tier managers and $55m from participants.

The credit bore basic margins of 1⅛-1¼ over Eurodollar rates or 1-1⅛ over U.S. prime, but was divided into three complex tranches for actual sale in the market place, engendering confusion among potential lenders who said they could not understand the terms.

Chase staunchly defended this strategy on Friday—"the deal would not have done as well without this structure," said one executive, but the fact remains that the image of failure will haunt Argentinian borrowers for some time to come.

This could be particularly awkward at a time when many bankers continue to complain about the volatility of the market in general. Credits are increasingly hard to price as spreads for some borrowers move up—and Latin American deals remain particularly affected in view of the sharp jump in margins for Mexico.

Mexico's *agriculture* bank Banrural is paying a top margin of one per cent over London interbank offered rate (Libor) for its current $400m credit, although other tranches in the same credit offer lower terms. Previously Mexico was paying only ⅝ per cent.

By contrast an eight-year $70m credit for the Ivory Coast looks sure to be increased. Led by Citicorp it bears a margin of 1⅝ per cent for the first three years rising to 1¾ per cent thereafter.

Bankers attribute the success of the operation not only to the high spreads, but also to the eight-year maturity, the limit to which many banks are prepared to go in these uncertain times.

In other news a measure of relief has come to Poland's bank creditors who have been told by Warsaw that interest arrears will be made up by mid-February. Banks are already beginning to jockey for positions in the forthcoming $300m credit for the Korean Exim Bank.

Peter Montagnon

INTERNATIONAL BONDS

U.S. oblivious to Europe's desires

IN THE Eurobond market eyes are shifting from one side of the Atlantic to the other. The West German special Lombard rate has been cut by ½ per cent and the U.S. Federal Reserve shows no sign of taking action to lower interest rates.

The Bundesbank, the Bank of England, the Dutch authorities and the Swiss National Bank have all indicated, in various ways, a desire to see a less restrictive monetary policy and generally lower interest rates.

In the U.S. however, a number of officials appear to be oblivious to Europe's desires. European bankers mumble once again about an "interest rate war."

Meanwhile it is business as usual again in the Eurodollar bond market. This means more fads, gimmicks, and other devices to attract the elusive investor.

None of Europe's capital markets had an exciting week in the secondary sector; there has been too much confusion about the trans-Atlantic *tennis match* over interest rates. But in the primary sector the Eurodollar market was swamped by $2.4bn (nominal value) of zero coupon bonds, floating rate notes, and fixed-rate bonds.

The zero coupon bonds—which pay no interest and are priced at a fraction of their nominal value to provide large capital gains—started out as a fad two weeks ago and then became a craze.

The past seven days have seen $1.6bn of zero coupon paper from prestige U.S. corporate names such as Dupont, Sears Roebuck, and Xerox Corporation. The actual value of the funds being raised comes to $467.9m.

In any market it takes two to tango — the borrower and the investor. The zero coupon market is no different. For the borrower these issues provide a cheap current source of money; corporate treasurers can calculate the redemption funds needed and come up with a relatively low annual yield.

As for the investor, the market seems to have found a hole in Japan and it is being filled. *Because of the structure* of Japanese capital gains tax laws there is sizeable demand for the zero coupon paper. A large amount of the paper had been effectively pre-placed there by the time it was launched.

One example was the ARCO paper, trading on Friday at 25⅜ to 26⅛ against an issue price of 25⅛. This was one of the better deals. A less happy experience has been had by the managers of Beneficial Finance zero coupon paper, trading at 30⅝ against an issue price of 32.7.

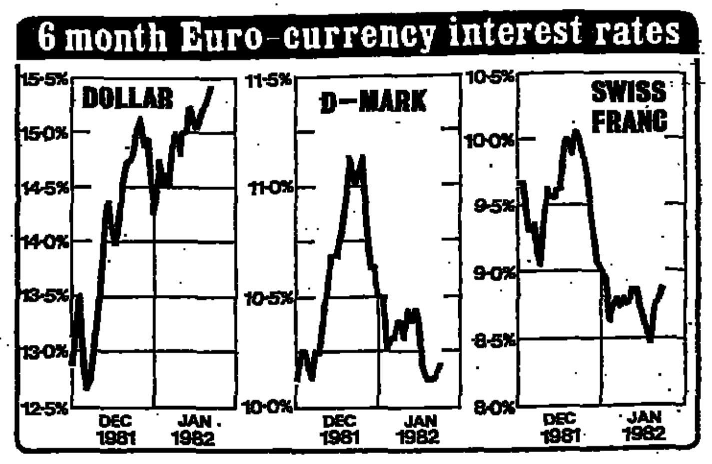
By Friday the zero coupon craze had spread throughout Europe and it was not just Japanese investors making the running. As for how long it will continue, this depends on how much paper the Japanese and others will take. It is also a *function of the degree of* interest among investors for more conventional paper.

Swedish Export Credit launched a $75m floating rate note last week, a five-year offer with interest at six-month London interbank offered rate (Libor). But Morgan Guaranty *and Morgan Stanley* added a gimmick — the borrower simultaneously offered free-standing warrants to buy $112.5m of eight-year bonds at 14¾ per cent. These warrants were actually in lieu of a selling commission for the managers and the market has not exactly beaten a path to the managers' doors. The warrants traded at a lacklustre $9-$10 on Friday although the floater did fine.

Reports out of West Germany, however, indicated that it was not the best week for SEK. The Swedish borrower's DM 50m private placement through Bayerische Landesbank appears to have suffered greatly from a coupon which was, at the time, simply too low. The terms — 9¾ per cent and an issue price of 99½ — are said to have attracted few true believers.

Alan Friedman

6 month Euro-currency interest rates



PETROBONDS

Mexico fights to hold confidence

MEXICO is fighting a rearguard action to maintain confidence in the market for petrobonds, its *unique effort to link* investment in the bond market with the fortunes to be made out of its massive oil wealth.

First launched in 1977, the bonds—which are denominated in pesos but bear a redemption value linked to the export of *crude oil*—were *an instant* success, but now the experiment has turned rather sour.

When oil prices first slipped last summer, Mexico tried to ignore reality and left the reference price for the bonds unchanged at $38.50, the previous export price of its superior Ithsmus light crude.

The intention was to give a boost to the market which had only recently absorbed a new issue of petrobonds.

It backfired, however, as investors realised that the average *selling price of Mexican oil* had *fallen* to around $31, creating a wide discrepancy between the reference price for the bonds and the actual level *of oil revenues*.

As a result the market became uncertain and volatile and secondary market volume plunged.

With the more recent cut in its oil price Mexico has now decided to lower the reference *price for redemption of* the bonds to the current Ithsmus price of $35 a barrel, but to compensate holders of the paper it has also had to raise the amount of oil backing each 1,000 pesos bond by 10 per cent to 1.213 barrels.

In effect this leaves investors no better nor worse off, but Mexico itself has had to bear the cost of protecting the value of the paper and although *secondary market prices* have improved, no new issues are foreseen for the time being.

William Chislett

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Nippon Electric§‡	80	1997	15	5¼	100	Daiwa Europe, CSFB, *SBC Intnl.*	5.250
Hitachi Cable§‡	40	1996	15	5¼	100	Nomura Intl.	5.250
Tokyu Corp.§‡	30	1997	15	5¾	100	Yamaichi, Schroder Wagg	5.750
C. Itoh‡	50	1987	5	11	100	Nikko Secs, Morgan Guaranty	11.00
Banamex†‡	60	1992	10	5¾⊕	100	CSFB	5.833⊕
Arizona Public Service	60	1989	7	16½	*	CSFB	*
Dupont‡	300	1990	8	0	33.9	Morgan Stanley	14.480
J. C. Penney‡	350	1994	12	*0*	18.50	CSFB	15.100
Nichimen**§	15	1997	15	*	100	Daiwa Secs, Sanwa Bank	*
Swed. Export Credit†	75	1987	5	*	*	Morgan Guaranty, Morgan Stanley	*
Altos Hornos (Mexico)†‡	100	1987	5	6⊕	100	Lloyds Bank Intl., Bank of Tokyo Intl., B.N.P., Paribas	6.090⊕
ANAS†‡	100	1990	8	5¼⊕	100	B.N.P., Banque Bruxelles Lambert	5.250⊕
Citicorp‡	150	1985	3	*0*	*66.5*	*Merrill Lynch*	14.570
Hydro-Quebec‡	100	1988	3	16½	100	CSFB	16.250
Sears Roebuck‡	300	1992	10	0	24.72	Dean Witter Reynolds Daiwa Secs.	15.000
U.S. DOLLARS							
Beatrice Foods‡	250	1992	10	0	25.50	Salomon Bros., Merrill Lynch	14.650
Xerox Corporation‡	250	1992	10	0	25.50	Salomon Bros., Goldman Sachs, Nomura	14.650
Japan Development Bank	50	1987	5	15½	*	*Paribas*	*
Astra	100	1992	10	16	*	Morgan Stanley	*
Toronto Dominion†‡	100	1992	10	5¼⊕	100	Morgan Stanley	5.250⊕
Nippon Credit Bank†‡	50	1990	8	5¼⊕	100	Morgan Stanley	5.250⊕
CANADIAN DOLLARS							
TransAlta Utilities	50	1989	7	16¾	*	Merrill Lynch	*
D-MARKS							
EIB‡	150	1989	7	10	100	Deutsche Bank	10.000
EIB‡	*100*	*1992*	*10*	*10*	*100*	*Deutsche Bank*	10.000
Pemex	150	1990	8	11	*	Commerzbank	*
SWISS FRANCS							
NTT‡	100	1992	—	6⅝	100	SBC	6.625
Nissan Motors**§‡	175	*1987*	—	5½	*100*	SBC	5.500
Showa Line**§‡	50	1987	—	6	100	CS	6.000
Spain	80	1992	—	7½	*	CS	*
World Bank	100	1992	—	*	*	SBC	*
TEAC Corp**§‡	25	1987	—	6	100	Paribas Suisse	6.000
Izumiya**§‡	20	1987	—	6	100	Swiss Volksbank	6.000
Ishihara**§‡	50	1987	—	6	100	Banca del Gottardo	6.000
RWE**‡	50	1989	—	7⅜	100	CS	7.375
VEAS	40	1994	—	*	*	Soditic	*
Nippon Sheet *Glass**§*	*40*	1989	—	*	100	SBC	*
GUILDERS							
World Bank‡	250	1992	10	11¾	100	Algemene Bank	11.750
EUAs							
Copenhagen	12	1992	6½	12¾	*	Kredietbank	*
YEN							
CITIC**	10bn	1994	12	8.7	100	Nomura Secs. Daiwa Secs, Bank of Tokyo	8.700
Dow Chemical‡	20bn	1992	10	8.5	99½	*Nomura Secs*	*8.577*
ECUs							
NERSA‡	30	1990	8	13⅞	100	BNP, Banque de l'Indochine et de Suez, Banque *Bruxelles Lambert*	13.875
KUWAITI DINARS							
Charbonnages de France‡	7	1989	7	11¾	100	KFTCIC, Credit Lyonnais	11.750
Enso-Gutzeit Oy	5	1989	5	*	*	Kuwait Investment Co.	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible.
†† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
‖ Issue may also be sold on an FRN basis.
Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Rise in interest rates seen as inescapable

A RISE in U.S. interest rates seems inescapable after last Friday's increase in the money supply and Wall Street is bracing itself for a rough ride.

The $700m jump in M1 came as a total surprise—confounding hopes for a big fall to wash out the record $10.4bn increase of the week before.

By normal standards, the increase was tiny. But coming as it did in the wake of the alarmingly strong and puzzling growth of M1 in the last six weeks, it *seems to leave* the Fed no choice but to rein in credit not just to bring the rate of growth back under control, but as an act of self-assertion.

Wall Street analysts were deeply divided as to whether the Fed had already embarked on a tightening course last week. An unusually timed intervention in the money market by the Fed last Thursday to drain reserves and push up interest rates was widely viewed as a firming move. But many analysts argued that it was dictated by seasonal market conditions which will distort the picture for some time to come.

The Fed's choice now seems to lie between firming only moderately in the hopes that the money supply bulge will ease in the weeks ahead (as the weakness of the economy suggests it must) and adopting a more aggressive stance to score quick results. Although the last thing anyone wants is another spike in U.S. interest rates, anxiety about the money supply in both political and financial circles is now such that—ironically—the second course might rekindle confidence faster.

Whichever course the Fed chooses the result will be higher interest rates. The Fed funds rate was already soaring last week. It closed over 13.50 per cent, up 1 per cent, and pulled other short term rates up with it. Bankers predict that this will soon force them to raise the prime rate from 15¾ per cent, its first rise since last summer. If the Fed funds rate remains around 13 to 14 per cent for more than a fortnight, the Fed would have to raise its discount rate from 12 per cent to bring it back in line.

The bond market, sensing these pressures, was also weakening again by the end of last week.

By coincidence, Mr Paul Volcker, the Fed chairman, will add to the drama when he testifies to Congress tomorrow. The market should get some clue to what the Fed thinks of all these developments, though he is bound to try to soothe the financial market's fears.

Wall Street will get another sharp reminder of its biggest bugbear, the Federal budget deficit, on Wednesday when the Treasury is to announce details of its first quarterly refunding of the year, which will occur in February. Wall Street is expecting a package of $9bn to $10bn in new notes and bonds as the centrepiece for this quarter's borrowing which could total a record $40bn of new money, including regular weekly and monthly sales of bills and notes.

President Reagan's State of the Union address on Tuesday may also contain details of proposed tax increases to help bridge the spending gap. But these are more likely to be small excise taxes rather than the more drastic measures some people on Wall Street are looking for.

Given the uncertainty into which the markets have been plunged, borrowing by anyone but the Treasury has ground to a virtual halt.

David Lascelles

U.S. INTEREST RATES (%)

	Week to Jan 22	Week to Jan 15
Fed funds wkly. av.	13.56	12.68
3-month Treas. bills	12.74	12.52
3-month CD	12.75	13.46
30-year Treas. bonds	14.14	14.21
AAA Util.	16.75	16.87
AA Industrial	16.00	16.12
Visible Supply ($bn)	9.9	9.5

Source: Salomon Brothers (estimates) and First Boston.

SAMA decision spur to Tokyo stock markets

BY RICHARD C. HANSON IN TOKYO

A REPORT that the Saudi Arabia Monetary Authority (SAMA) will for the first time buy directly convertible debentures issued by two Japanese companies, helped spark a sharp advance on the Tokyo stock market on Friday.

In very heavy trading, the Nikkei Dow index of 225 shares rose Y88.85 to close at Y7,823.36, the highest level in five months.

Sony Corporation and Honda Motor, whose convertible bonds are reportedly to be placed privately with SAMA, jumped by Y310 to Y3,920 and by Y24 to Y829, respectively.

Market analysts said the rally came as something of a surprise, considering the recent dull performances of most shares. Selling pressure has been strong as investors approach the settlement dates on margin accounts for stocks bought (on credit during the peak price levels of late last summer.

The outstanding level of margin debt, however, has fallen substantially, by about 9 per cent, from the record high levels of the past few months. This is considered near the level where a technical market reversal could take place. Thus, investors seized on the news of SAMA's buying intentions as a rallying point.

This apparently would be the first time that Saudi Arabia has purchased what amounts to Japanese shares, having preferred in the past to buy Japanese Government and corporate straight bonds.

Mere rumours of SAMA buying Japanese stocks have in the past been enough to set off market rallies in Tokyo. There is some feeling that news of SAMA's otherwise highly discreet activities may have been leaked intentionally to give the market a nudge.

Friday's advances centered on blue chip stocks, especially those involved in high technology fields, many of which are still trading well below the record high reached during the 1981 rally which ended abruptly last August.

● Securities industry sources confirmed on Thursday that SAMA had been in negotiations over the placing of the two convertible bond issues—by Sony and Honda Motor—since last year. It was believed that other major Japanese companies were hoping for similar placements with SAMA which has already invested around Y2,000bn ($8.9bn) in Japanese bonds. There have been recurrent rumours in the past that SAMA planned to take corporate convertibles as a way of taking equity stakes in major Japanese companies.

Wilhelmsen earnings move up

By Fay Gjester in Oslo

WILH. WILHELMSEN, Norway's largest shipping group, reports higher gross freight earnings and profits in 1981 than a year earlier, with the liner trade once again making the largest contribution to the group's total earnings. But a preliminary report to shareholders says the outlook for this sector is uncertain in 1982, because of the recession and the decline in international trade.

Operating results before depreciation amounted to an estimated NKr 580m (US$102m), compared with NKr 426m in 1980. After depreciation and net financial items, profits were NKr 160m against NKr 124m.

The improvement in 1981 is attributed partly to the stronger U.S. dollar, although this—together with higher interest rates—also pushed up the group's financial costs.

Compugraphic deal completed by Agfa

BY KEVIN DONE IN FRANKFURT

AGFA-GEVAERT, the photographic products subsidiary of Bayer, one of the leading West German chemicals groups, has acquired 69 per cent of Compugraphic the U.S. photo-composition equipment manufacturer, in a deal worth $78.2m.

The acquisition is an important extension to Bayer's interests in the U.S., where it had sales of $2.4bn in 1980, and follows a series of earlier acquisitions, most importantly in the pharmaceuticals sector.

Agfa-Gevaert announced that it was bidding for majority control of Compugraphic in October, but the stake it has taken is significantly higher than first indicated last year.

Agfa has purchased 2.5m existing shares at $14.00 per share and in addition is taking up just over 3m new shares at the same price. It is pumping in new equity in order to improve Compugraphic's financial structure and help with the financing of its heavy research and development effort.

Agfa's main objective with the acquisition is to enter the market for automated electronic based printing systems and to develop future systems for this market.

Its move for Compugraphic has come at a time when the U.S. concern's profits have been plunging, partly as a result of heavy financing costs. In 1979 Compugraphic reported net income of $18.3m. In 1980 it achieved after-tax profits of only $8.7m on sales of $277m and last year it slipped into loss as sales stagnated at $278m.

In the first quarter of the current financial year (from October 1981) it achieved a small profit of $0.3m on sales of $68.7m.

INTERNATIONAL APPOINTMENTS

Reorganisation at Marsh and McLennan

● A new world-wide retail insurance brokerage organisation has been created by MARSH AND McLENNAN COMPANIES. All of Marsh and McLennan's retail brokerage operations (Marsh and McLennan, Incorporated; Marsh and McLennan International Inc; Bowring UK Ltd.) will be united in Marsh and McLennan, Incorporated. The chairman of Marsh and McLennan, Incorporated, will be Mr Alessandro C. di Montezemolo. Mr Robert Clements will be president.

Mr David D. Holbrook has been appointed executive vice-president of Marsh and McLennan, Incorporated, for U.S. operations. Mr Sherwood C. Blake is executive vice-president for international operations. Mr Philip J. Brown, jr., executive vice-president, has been named head of world services. In addition, Mr Phillips Lounsbery, executive vice-president, will be in charge of corporate affairs and Mr Brandon W. Swetizer, managing director, will be chief financial officer. Mr Kennedy S. Galpin, vice-chairman, has been named chairman of the U.S. management committee and Mr Peter Bowring, chairman of C. T. Bowring and Co., has been named chairman of the international committee.

● Mr Jacques Bonnot has been appointed chief executive and managing director of CAISSE NATIONALE DE CREDIT AGRICOLE, a leading French bank based in Paris. Mr Bonnot was general secretary of Monod Francaise de Banque, the new company formed after the merger with the Societe Francaise de Banque.

M Jacques Bonnot

● Mr Bert-Olof Svanholm, a member of the corporate management of Swedish Match AB, has been appointed deputy managing director of ASEA. In addition to being on the boards of different ASEA Group companies Mr Svanholm will be responsible within ASEA's top management for rationalisation and administrative development matters. Mr Svanholm held various posts in Nya Asfalt and Fosfatbolaget up to 1973. He was then employed as technical manager of Nitro Nobel and subsequently became managing director. In 1978, he became managing director of the Katrinefors Group within Swedish Match.

● INTERNATIONAL THOMSON ORGANISATION, Toronto, has formed International Thomson Business Press, European division of International Thomson Business Press Inc., U.S., with Mr Tim Hedgecock as managing director. This new division will be responsible for developing the European potential of International Thomson's U.S. business magazines. Mr Hedgecock has relinquished the chairmanship of Computacor but remains on its board. He has also resigned from the board of Wigham Poland Holdings.

● Mr Peter Riches has been appointed manager of exploration for TEXACO NORTH SEA NORWAY. He will be based at Stavanger, Norway. He was assistant to Dr W. P. Doyle, managing director of Texaco in London.

● DOW JONES AND CO. INC. has appointed Mr Vernon E. Jordan jr. a partner in the Washington, DC, and Dallas, Texas, law firm of Akin Gump Strauss Hauer and Feld, a member of its board. Mr Jordan served as president of the National Urban League Inc. from 1972 until late last year.

● CITY NATIONAL BANK has made the following promotions: Ms Corinne C. Sernick has been promoted to assistant vice-president — distribution shift manager; Mr Phillip K. Settles has been appointed assistant vice-president in the systems and programming area; Mr James C. Hammersmith has become assistant vice-president — commercial loan officer II.

● CATHAY PACIFIC AIRWAYS has appointed Mr D. A. Gledhill to the board. He holds senior executive directorships in a number of Swire Group and associated companies. Cathay Pacific has also appointed five senior executives as general managers of the company. They are Captain G. J. Gratwick, general manager flying; Mr R. J. Fairfield, general manager operations; Mr I. H. Kepple, general manager operational services; Mr W. McArthur, general manager international affairs; and Mr R. T. Stirland, general manager airline planning.

● Mr Gordon F. Ahalt has been re-elected to the board of directors of TRANSCO COMPANIES INC. Mr Ahalt originally joined Transco board in 1974. He resigned in 1980 when he became senior vice-president at Ashland Oil.

● BANCO DO COMMERCIO E INDUSTRIA DE SAO PAULO has appointed Mr Simon Paul as its senior representative in Paris. Mr Paul was regional manager for Brazil with National Westminster Bank in London. Mr Philippe Sedzmont, previously with Banque NMB-Interunion, has also joined COMIND as the deputy representative in Paris with responsibilities for correspondent banking in the Middle East.

● CHERRY ELECTRICAL PRODUCTS INC. has appointed Mr Peter Cherry president and chief operating officer. He replaces his father, Mr Walter Cherry, founder of the company, who continues as chairman and chief executive officer.

● Mr Leonardo Caballero, deputy managing director of Banco Urquijo Hispano Americano, London, has been appointed director regional of BANCO HISPANO AMERICANO, Barcelona, responsible for Cataluna and The Balearic Islands.

● Mr Henri J. G. Chalhoub has been appointed chairman and chief executive of MEPA GROUP HOLDING, which has been formed towards consolidating his insurance interests throughout Europe, Middle East and Africa. Appointed to the executive board of the group are Mr R. J. Cleland (executive vice-president), Mr R. H. Harfouche (vice-president—legal) and Mr E. J. Papadak (vice-president—technical).

● Mr Jan Hërafeldt, general manager of SKF STEEL, Hällefors, Sweden, has been appointed general manager of ASEA's process industries division, Västerås. He succeeds Mr Olle Keding, who is taking a new assignment in ASEA.

● Mr John Spencer, head of group finance and planning, Barclays Bank head office, London, has been appointed assistant general manager to the regional general manager, Australasia, of BARCLAYS BANK INTERNATIONAL and deputy managing director, Barclays International Australia. Mr Eddie Cade, at present an executive director of the Union Bank of Nigeria, will succeed Mr Spencer as head of group finance.

● Mr Peter Ford, general manager, Barclays Bank of the Netherlands Antilles, has been appointed an executive director, Union Bank of Nigeria.

● Mr M. J. Drabbe, general manager of AMSTERDAM-ROTTERDAM BANK in Amsterdam and head of the international finance group has been appointed head of the international banking group as well. He succeeds Mr P. G. K. Oosthuizen, who left the bank to settle abroad but who will remain an adviser of the bank.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	102	102½	+0⅛	+0⅛	15.88
APS Fin. Co. 17¼ 86 ...	60	103½	104	+0⅛	+0⅛	15.98
Armco O/S Fin. 15½ 86	50	99¼	99¾	0	+0⅛	15.53
Bank Montreal 16½ 91	150	99¾	100¼	0	+0⅜	16.22
Br. Colum. Hyd. 16¼ 88	100	101	101½	+0¼	+0⅛	15.88
Br. Colum. Mfa. 17 97	54	103⅛	103⅝	−0⅛	+0¼	16.35
Can. Nat. Rail 14⅝ 91	100	92⅝	93⅛	+0⅛	−0⅛	16.09
Caterpillar Fin. 16½ 86	100	101⅜	101⅞	+0⅛	+0⅛	15.92
CFMP 16¾ 86	100	101¾	102¼	0	+0⅛	16.35
CIBC 16¾ 91	100	100¾	101¼	+0¼	0	16.48
Citicorp O/S 16⅜ 86...	150	103⅜	103⅝	−0⅛	+0⅛	15.61
Cities Service 17 88 ...	150	104⅛	104⅝	−0¼	+0¼	15.79
Cons.-Bathurst 17½ 88	60	103½	104	+0⅛	+0⅛	16.49
CPC Fin. 16¾ 86	50	104¼	105	−0⅛	−0⅛	16.17
Dupont O/S 14½ 88 ...	400	96¾	97¼	+0⅛	+0⅛	15.20
EIB 16½ 88	100	100⅜	100⅞	−0⅛	+0¼	16.27
EIB 16¾ 91	100	100⅞	101⅜	0	−0⅛	16.46
GMAC O/S Fin. 16½ 84	300	100⅝	101⅛	0	+0¼	15.99
Gulf States O/S 17½ 88	60	103⅜	103⅞	−0⅛	+0½	16.49
Nat. Bk. Canada 16½ 88	40	100⅜	100⅞	+0⅛	+0¼	17.02
Nat. West. 14¾ 91	100	95¼	95¾	0	−0⅛	15.65
New Brunswick 17 88	80	104	104½	−0⅛	+0⅛	15.86
Newfoundland 17¼ 89	80	105⅞	106⅜	−0⅛	−0⅛	15.76
New & Lab. Hy. 17¼ 89	75	103½	104	−0⅛	+0½	16.32
Ohio Edison Fin. 17½ 88	75	103⅛	103⅝	−0⅛	+0⅛	16.56
OKG 15¾ 97	50	97½	98	+0⅛	+0⅜	16.13
Ontario Hyd. 16 91 (N)	200	100	100½	+0½	+0⅜	15.91
Pac. Gas & El. 15¾ 89	80	101⅛	101⅝	0	−1	15.41
Quebec Hydro. 17¼ 91	150	103⅛	103⅝	−0⅛	−0⅛	16.48
Quebec Province 15¾ 89	150	96⅛	96⅝	−0⅛	−0⅛	16.07
Saskatchewan 16¼ 88	100	100½	101	+0⅛	+0⅛	16.02
Shell Canada 15¾ 91 ...	100	99⅞	100⅜	0	−0¼	15.67
Statsforetag 15¾ 87 ...	50	98½	99	0	+0⅜	16.13
Sweden 14½ 88	150	92⅝	93⅛	−0⅛	0	16.27
Swed. Ex. Cred. 16½ 93	75	101⅜	101⅞	−0¼	−0⅛	16.15
Tenneco Int. 17 89	100	103⅝	104⅛	+0⅛	+0¼	16.03
Texas Eastern 15⅞ 88...	75	99⅛	99⅝	−0⅛	+0⅛	15.97
Transcanada 17¾ 88 ...	75	105⅜	106⅛	+0⅛	+0½	16.14
Transcanada 16 89 ...	100	99⅝	100⅛	0	+0⅛	16.00
Walt Disney 15¾ 86 ...	100	100⅝	101⅛	0	−0¼	15.39
Winnipeg 17 86	50	102½	103	0	+0⅜	16.05
WMC Fin. 15½ 88	50	96⅜	96⅞	−0⅛	+0¼	16.32
World Bank 16 88	80	99½	100	+0⅛	0	16.00
World Bank 16½ 86 ...	130	102	102½	+0⅛	+0⅛	15.71
World Bank 16½ 88 ...	100	100½	101	0	−0¼	16.24

Average price changes... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	98⅞	99⅜	+0¼	−0¼	10.12
Asian Dev. Bank 10¾ 89	100	101¾	102½	+0⅛	+0⅛	10.32
Australia 9½ 91	300	99	99½	−0⅛	+0⅛	9.49
Belgelectric 11 91	100	101⅞	102⅛	0	+0¼	10.68
CECA 10 91	120	101⅜	102⅛	+0½	+0½	9.69
Coun. of Europe 10 91	100	99⅝	100⅛	−0⅛	−0¼	9.99
Coun. of Europe 10¼ 91	100	100⅞	101⅜	+0½	+0⅛	10.03
EEC 10⅛ 93	100	100¼	100¾	−0⅛	+0¼	10.04
EIB 8½ 90	200	91⅝	92⅛	0	+0⅛	9.90
EIB 10½ 91	200	101⅞	102⅜	0	−0⅛	10.10
Finland, Rep. of 10½ 86	100	100⅝	101⅛	+0⅛	+0⅛	10.27
Inter-American 10 91 ...	100	99⅞	100⅜	+0¼	0	9.95
Inter-American 10¼ 91	100	100⅜	100⅞	+0⅛	+0⅛	10.13
Ireland 10⅛ 86	100	99½	100	+0⅛	+0⅛	10.18
Japan Air Lines 8¼ 87	100	95⅛	95⅞	0	−0¼	9.14
Midland Int. Fin. 8½ 90	180	93⅝	94	+0⅛	+0⅛	9.60
Mt. Bk. Dnmk. 10½ 91	100	100	100½	+0⅛	+0⅛	10.44
New Zealand 9¾ 89 ...	200	100	100½	0	0	9.69
OKB 10⅛ 91	150	100¼	100¾	0	0	10.03
Quebec Hydro 10¼ 91...	150	102⅛	102⅝	+0⅛	+0⅞	9.85
Renault Acpt. 10¾ 86	150	100⅜	100⅞	0	0	10.56
Swed. Ex. Cred. 10¼ 91	100	99½	100	+0⅛	+0⅞	10.28
World Bank 10 91	250	100⅜	100⅞	+0⅛	+0⅛	9.91

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91...	60	94⅛	94⅝	−0¼	−0¼	7.33
Asian Dev. Bank 8 90	80	101½	101¾	0	−0½	7.73
BFCE 6½ 91	100	94⅜	95	−0⅛	−0¼	7.29
Belgelectric Fin. 7¾ 91	100	101⅜	101⅞	0	+0⅛	7.48
Bell Canada 7¼ 93 ..	100	105½	105¾	+0¼	0	6.55
Bergen, City of 6¾ 91	40	100⅝	100⅞	+0⅛	+0¼	6.63
Bst. de Autopistes 8 90	50	†100⅞	100¾	0	0	7.90
CECA 6¾ 91	80	99⅞	100⅜	+0½	+0⅛	6.74
Dome Petroleum 5¾ 91	100	94	94¼	+0⅛	+0½	6.63
Dome Petroleum 7¼ 90	100	103½	103¾	−0¼	−0⅞	6.67
Franc. Petroles 6½ 91..	80	96	96⅛	−0¼	−0⅛	7.08
Genstar 7 91	100	101⅞	102⅛	−0⅛	−0⅛	6.70
Int. Amer. Dv. Bk. 7 91	100	99¾	99¾	+0⅛	+0⅛	7.11
I/S Elsam 8½ 91	60	105	105¼	+0¼	+0½	7.72
Japan Air Lines 7¾ 91	100	104	104¼	0	−0¼	6.66
Neder. Gasunie 8 91...	100	106⅛	106⅝	+0⅛	+0⅛	7.05
OKB 7 93	100	99¼	99½	−0½	−0⅛	7.08
OKB 7¾ 91	100	101	101¼	+0⅛	+0⅛	7.06
Oslo, City of 8 91	100	105⅝	105⅞	0	+0¼	7.16
Saint Etienne 8½ 91 ...	20	105	105¼	+0⅛	+0¼	7.73
Swed. Ex. Credit 7¾ 91	75	97½	98	+0⅛	0	7.59
TNT O/S Fin. 8 91 ...	60	105	105¾	0	−0¼	7.25
Unilever NV 7½ 93 ...	100	105⅛	105⅜	−0⅛	−0⅛	6.80
World Bank 6 91	100	†92½	93	0	−1	7.11
World Bank 7 90	100	99½	99¾	+0⅛	−1½	7.08
World Bank 8 91	100	104⅝	104⅞	−0⅛	−0½	7.30

Average price changes... On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91	15	99½	100½	0	−1½	8.24
Australia 6½ 88	20	91¼	92¼	0	+0¼	8.25
EIB 7¾ 89	12	98⅜	99⅜	0	−0¼	7.89
Finland, Rép. of 8¼ 87	15	99⅞	100⅞	0	−0¼	8.27
Int.-Amer. Dev. 8⅞ 91	15	102½	103½	+0⅛	0	8.40
New Zealand 8¼ 87 ...	15	100⅛	101⅛	0	−0⅛	8.21

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 86 C$	50	†97¾	98¼	+0¼	+0½	17.36
Federal Dev. 17¾ 86 C$	40	†102½	103½	0	+0½	16.71
GMAC (Can.) 18 87 C$	60	†105½	106½	+0¼	+2	16.23
Pancanadian 16½ 88 C$	65	†98	98½	+0⅛	+0⅜	16.92
Queb. Urban 16¾ 86 C$	20	†100¾	101¾	+0⅛	+0¼	16.48
Roynat 17¼ 86 C$	40	†101¼	101¾	0	+0¼	16.74
Tordom Cpn. 13½ 85 C$	30	†93½	94½	0	+0½	15.88
M. Bk. Dnmk. 9 91 EUA	25	83½	85	0	−0⅛	11.78
SOFTE 8¾ 89 EUA	40	78¼	79½	+0¼	+0¼	12.90
U. Bk. Nwy. 9½ 90 EUA	18	91½	92½	0	+0⅞	11.01
Algemene Bk. 10¾ 86 Fl	60	97⅝	98⅛	0	0	10.90
Amfas Group 12¼ 86 Fl	40	102¾	103¾	+0⅜	+0⅛	11.38
Amro Bank 12 86 Fl ...	75	101⅛	101⅝	−0⅛	−0½	11.50
Amro Bank 12 86 Fl ...	60	101⅛	101⅝	0	−0⅛	11.54
Heineken NV 10 87 Fl...	100	96⅞	97⅜	+0½	0	10.89
Pierson 10¼ 86 Fl	50	97⅜	98¼	−0⅛	−0¼	10.86
Rabobank 12 86 Fl	50	101½	102	+0⅛	−0⅛	11.42
Air France 14½ 86 FFr...	200	93⅛	94⅛	0	0	16.65
Bk. America 14½ 86 FFr	250	92⅛	93⅛	−0⅛	−0½	16.89
Charb'nages 13⅞ 85 FFr	400	93	94	0	0	16.22
EIB 14⅛ 88 FFr	300	89⅜	90⅜	0	−0⅛	15.94
La Redoute 14¾ 85 FFr	125	91⅛	92⅝	+0⅛	−0⅛	17.47
OKB 14 86 FFr	400	92⅝	93⅜	0	+0⅛	16.47
Solvay et C. 14¾ 86 FFr	200	92¼	93¼	0	−0⅛	17.29
Swed. E. Cr. 14⅝ 86 FFr	250	91⅞	92⅞	0	−0⅛	17.25
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	−0⅛	17.39
Acona 14 85 £	20	90⅛	91⅛	+0⅛	+0¼	17.39
Beneficial 14¼ 90 £	20	83⅝	84⅝	−0⅛	0	17.96
BNP 13½ 91 £	15	84	85	0	−0⅛	16.98
CECA 13½ 88 £	20	88⅞	89⅞	+0⅛	+0⅛	16.18
Citicorp O/S 13½ 90 £	50	88½	89¼	0	+0⅛	16.06
Fin. Ex. Cred. 13¾ 88 £	15	90⅜	91⅜	+0¼	+0¼	16.95
Gen. Elec. Co. 12½ 89 £	50	85⅛	86½	+0⅛	+0¼	15.85
Hiram Walker 14¾ 86 £	25	93⅛	93⅞	−0¼	0	16.43
Privatbanken 14½ 88 £	12	88½	89½	+0¼	−0⅛	17.48
J. Rothschild 14¾ 90 £	12	92½	93½	+0½	+0⅛	15.77
Royal Trustco 14 86 £...	12	92⅞	93⅞	0	+0¼	16.35
Swed. Ex. Cr. 13¾ 86 £	20	90⅞	91⅜	0	+0⅛	16.80
Akzo 9¾ 87 LuxFr	500	85¼	86¼	+0¼	+0⅛	12.88
Euratom 9¾ 88 LuxFr ...	500	86⅞	87⅞	0	+1½	12.97
Eurofima 10½ 87 LuxFr	500	92¼	93½	+0⅛	+0⅛	12.34
EIB 9¾ 88 LuxFr	600	88	89	+0⅛	+0⅞	12.59
Volvo 9¾ 87 LuxFr	500	86	87	−0¼	−0¼	13.18

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99¾	99⅞	18/6	14¼	14.30
Bank of Montreal 5¼ 91	0¼	99⅞	99⅞	29/4	17.06	17.13
Bank of Tokyo 5¼ 91 ...	0¼	98½	98⅞	10/6	13¼	13.47
Bk. Nova Scotia 5¼ 93	0⅛	99½	100	29/4	17.06	17.11
BBL Int. 5 86	0¼	99¼	99¾	20/5	13½	13.58
BFCE 5¼ 88	0¼	99½	100	26/4	16.94	16.98
Christiania Bk. 5½ 91...	‡0¼	98⅝	99⅛	5/2	15.56	15.74
Co-Ban Eurofin 5½ 91...	0¼	98⅝	99⅛	14/4	16.69	16.88
Den Norske Cred. 5½ 93	0¼	97⅜	97⅞	4/6	13.56	13.89
Genfinance 5¼ 92	0¼	99¼	99¾	30/6	15½	15.58
Giro und Bank 5¼ 91 ...	‡0¼	98⅞	99⅜	23/3	14.06	14.19
GZB 5¼ 92	‡0¼	98⅝	99⅛	5/3	13⅛	13.27
Ind. Bank Japan 5¼ 88	0¼	98⅜	98⅞	9/6	13.31	13.50
Lloyds Eurofin 5¼ 93 ...	§0¼	99½	100	29/4	17.13	17.17
LTCB Japan 5½ 89	0¼	99	99½	16/7	15.31	15.43
Midland Int. Fin. 9 91	0¼	99⅝	100⅛	30/4	17.06	17.08
Nacional Fin. 5½ 88 ...	0¼	97⅜	98⅛	25/3	17.31	17.89
Nat. Bk. Canada 5¼ 88	0¼	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5¼ 91...	§0¼	99	99½	15/7	15.19	15.30
Nat. West. Fin. 5¼ 92...	§0¼	99½	100	23/4	17	17.04
Nordic Int. Fin. 5½ 91...	0¼	98⅜	98⅞	6/5	15⅝	15.84
Offshore Mining 5¼ 91	0¼	98⅛	98⅝	2/6	13	13.21
Pemex 6 91	0¼	97⅜	97⅞	8/4	17	17.41
PKbanken 5 91	0¼	98⅝	99⅛	17/6	14⅛	14.52
Sanwa Int. Fin. 5¼ 88...	0¼	†99⅝	100⅛	24/3	17⅛	17.27
Scotland Int. 5¼ 92......	0¼	98	98½	23/3	13.94	14.19
Sec. Pacific 5¼ 91	0⅛	98⅜	98⅞	24/5	13⅛	13.43
Societe Generale 5¼ 91	0¼	98	98½	22/1	18⅝	18.77
Sparebanken 6 87	0¼	98⅛	98⅝	21/6	14.44	14.58
Standard Chart. 5¼ 91	0¼	97⅞	98⅛	18/5	13.31	13.57
Sumitomo Fin. 5½ 88...	0¼	99	99½	6/2	19.56	19.71

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	99⅝	101⅛	+1¼	4.83
Bow Valley Inv. 8 95...	4/81	23.12	†99	101	0	39.16
Canon 6¾ 95	1/81	829	112⅞	114⅞	+4¼	7.89
Daiwa Secs. 5½ 96	12/81	513.3	†79	80½	+0¼	−1.57
Fujitsu Fanuc 4½ 96 ...	10/81	6770	111⅞	113⅞	+2¼	6.17
Furukawa Elec. 5¼ 96...	7/81	300	124	125½	+1	1.87
Hanson O/S Fin. 9½ 96	8/81	2.74	†87	88½	+0¼	−2.56
Hitachi Cred. Cpn. 5 96	7/81	1773	91⅜	93¼	+1⅛	9.08
Inchcape 8 95	2/81	4.55	†81	82½	0	14.29
Kawasaki 5¾ 96	9/81	229	82	83½	+0⅛	5.96
Marui 6 96	7/81	931	104½	106	0	−1.10
Matsushita El. 7½ 95 ...	11/80	590	93	94½	+0⅛	2.96
Minolta Camera 5 96 ...	10/81	909	73¼	74¾	+2	10.86
Murata 5¼ 96	7/81	2190	79¼	80¼	+1¼	26.67
NKK 6½ 96	7/81	188	96⅛	98⅛	+0⅛	1.83
Nippon Chemi-C. 5 91...	10/81	819	†75	77	−1	2.04
Ricoh 6¾ 95	8/80	604	115⅛	117½	+5	6.52
Sanyo Electric 5 96......	10/81	652	80¾	82¼	+3	11.73
Sumitomo Met. 5¼ 96...	10/81	305	83⅞	85¼	+2¼	4.39
Swiss Bk. Cpn. 6¾ 90...	9/80	191	†72	74	0	10.59
Taylor Woodrow 8¾ 90	1/81	4.96	†83	84½	+0¼	−0.54
Transco Int. 8¾ 95	8/81	68	†174½	76	−1	27.51
Tricorp 9½ 95	2/81	31.25	†63½	65	−2¼	57.48
Union Bk. Switz. 5 89...	2/80	70.79	†82½	84½	0	5.08
Konishiroku 6 90 DM ...	2/82	585	105	106	+4½	1.22
Mitsubishi H. 6 89 DM	2/82	263	102	103	+2	3.21

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	2,973.4	4,035.5
Previous week	3,619.6	4,301.1
Other bonds		
Last week	793.4	618.9
Previous week	1,279.6	457.3

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 22

Parliament this week

TODAY

Commons: Debates on need for Government aid for heating bills, and the steel industry; Child Benefit (Claims and Payments) Amendment Regulations.

Lords: Mental Health (Amendment) Bill, Committee; Shipbuilding Bill, Second Reading.

Select Committees: Treasury and Civil Service. Subject: The Armstrong Committee Report, "Budgetary Reform in the UK." Witnesses: Treasury officials (Room 15, 4.30 pm). Foreign Affairs. Subject: Caribbean and Central America — British approach to stability, security and development. Witness: Mr D. Gray (Room 8, 4.45 pm). Public Accounts. Subject: Provision of army vehicle assemblies. Witness: Sir Frank Cooper, Permanent Under-Secretary of State, Ministry of Defence. (Room 16, 4.45 pm).

TOMORROW

Commons: New Towns Bill, Second Reading; Transport (Finance) Bill, remaining stages; Rates Amendment (Northern Ireland) Order.

Lords: Currency Bill, Second Reading; Civic Government (Scotland) Bill, Committee; Civil Aviation (Amendment) Bill, Committee.

Select Committees: Defence. Subject: Ministry of Defence. Organisation and Procurement. Witnesses: Ministry of Defence. (Room 15, 10.30 am). Environment. Subject: Private Rented Housing Sector. Witnesses: Paddington Federation of Residents and Tenants Association (4.0 pm); Westminster City Council (5.0 pm). (Room 16, 4.0 pm). Joint Committee on Statutory Instruments. (Room 4, 4.15 pm).

WEDNESDAY

Commons: Debate on employment.

Lords: Debates on the European Monetary System; inner London traffic congestion; and Scotland's museums and galleries.

Select Committees: Defence. Subject: Ministry of Defence. Organisation and Procurement. Witnesses: Vickers; The Plessey Co. (Room 15, 10.30 am). Welsh Affairs. Subject: Water in Wales. Witnesses: Water Consumer Council (Room 18, 10.30 am). Industry and Trade. Subject: British Leyland's Corporate Plan. Witness: Sir Michael Edwardes (Room 16, 10.45 am). Home Affairs. Subject: Police complaints procedure. Witnesses: National Council for Civil Liberties. (Room 8, 11.0 am). Public Accounts. Subject: Estimating, monitoring and control of expenditure. Witness: Sir Frank Cooper, Permanent Under-Secretary of State, Ministry of Defence. (Room 16, 4.0 pm). European Legislation. Subject: European Regional Development Fund. Witnesses: Mr Norman Lamont, Minister of State for Industry and officials from the Department of Industry. (Room 6, 4.30 pm). Social Services. Subject: Age of retirement. Witnesses: Society of Pension Consultants. (Room 21, 5.0 pm).

THURSDAY

Commons: Debate on the Government's economic policy.

Lords: Harbours (Scotland) Bill, Third Reading; Fire Service College Board (Abolition) Bill, Third Reading; Sex Discrimination (Amendment) Bill, Third Reading; Social Security (Contributions) Bill, Committee; Civil Aviation (Amendment) Bill, Report and Third Reading; Pet Animals Act (Amendment) Bill, Second Reading.

Select Committee: Agriculture. Subject: Less favoured areas. Witnesses: County Landowners' Association; Scottish Landowners' Federation; Smallfarmers' Association. (Room 16, 11.0 am).

FRIDAY

Commons: Private Members' Bills.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Hotel and Catering Exhibition—HOTELYMPIA (021-705 6707) (until Jan 27)	Olympia
Current	Ideal Homes, Food, Trades and Leisure Exhibition (0243 687381) (until Jan 30)	Winter Gardens, Eastbourne
Jan 26-28	HIREX '82—Exhibition and Conference of the Hire Industry (0622 679645)	Wembley Conference Centre
Jan 30-Feb 3	British Toy and Hobby Fair (01-701 7127)	Earls Court
Feb 1-4	Photography at Work Exhibition (01-688 7788)	Exhibition Centre, Harrogate
Feb 2-4	COMPELEX '82—Electronic Components Exhibition (01-629 4304)	American Embassy
Feb 7-11	International Spring Fair—Gifts (01-855 9201)	NEC, Birmingham
Feb 9-12	Information, Technology and Management Exhibition and Conference—INFO '82 (01-647 1001)	Barbican Exhibition Centre
Feb 10-12	Western Building Show (01-643 8040)	Exhibition Centre, Bristol
Feb 10-12	Ceramic Tile Exhibition and Conference—TILEX (01-450 0466)	Wembley Conference Centre
Feb 12-14	Crufts Dog Show (01-493 7838)	Earls Court
Feb 14-17	International Men's and Boy's Wear Exhibition (021 705 6707)	Olympia
Feb 16-20	Ideal Home Exhibition (0202 28475)	Assembly Rooms, Worthing
Feb 21-23	Video Software Show (01-686 2500)	Heathrow Hotel
Feb 21-25	Scottish Gifts Fair (01-855 9201)	Kelvin Hall, Glasgow
Feb 24-25	Oil, Gas, Petroleum and Process Plant Exhibition (01-637 8841)	Bloomsbury Centre, London
Feb 28-Mar 4	International Light Show (0248 88396)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Boat Show (01-439 3964) (until Jan 25)	Paris
Current	International Commercial Motor Show (02298 11 11) (until Jan 31)	Geneva
Current	Middle East Construction Exhn. and Conference (01-935 8200) (until Jan 28)	Dubai
Jan 25-31	Do-it-yourself exhibition—KARWEI (01-486 1951)	Utrecht
Jan 29-31	International Boat Show (01-486 1951)	Malmo
Feb 5-14	International Boat Show (01-486 1951)	Helsinki
Feb 9-15	Equipment and apparatus for drug production and testing exhibition (01-235 2423)	Moscow
Feb 10-13	*International Trade Fair for Household Appliances, Fittings and components—DOMOTECHNICA (01-409 0956)*	Cologne
Feb 13-16	International Trade Fair for Watches, Jewellery and Silverware—INHORGENTA (01-486 1951)	Munich
Feb 15-15	Middle East Machine Maintenance, Light Engineering and Handling Show—MEM (01-486 1951)	Bahrain
Feb 25-28	Scandinavian Menswear Fair and Fashion Week (01-540 1101)	Copenhagen

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Jan 25-29	London Business School: Management within the law (01-262 5050)	Regents Park, NW1
Jan 25-29	Manchester Business School: The Micro-chip Society—planning for the future (061-832 7972)	Selsdon Park
Jan 26	ESC: Pricing for profit (057282 2711)	New Berners Hotel, W1
Jan 27-29	ESOMAR/EFMA: How research can help financial organisations communicate internally and externally (01-251 4549)	Rome
Jan 27-28	Meridian Conferences: Capitalise on Communications (01-670 5400)	Bowater Conference Centre, Knightsbridge
Jan 28	Dun and Bradstreet: More Effective Collection Techniques for Credit Controllers and Supervisors (01-247 4377)	Café Royal, W1
Jan 28	Marketing Society: Media—The Inside Track (01-542 5191)	Piccadilly, W1
Feb 1-2	Metal Bulletin Congresses: Middle East Metals *and Minerals (01-833 0525)*	*Dubai*
Feb 2	Oyez: Company Finance for the Executive Secretary (01-242 2481)	Portman Hotel, W1
Feb 3-4	FT Conference: The Seventh Pensions Conference (01-621 1355)	Grosvenor House, W1
Feb 4	IPS Energy (0990 23711)	Tower Hotel, E1
Feb 8	American Tax Institute in Europe: Finance/Leasing under new U.S. tax laws (Paris 256 33 70)	Waldorf Hotel, WC2
Feb 9-12	INFO '82—The challenge of Information Technology (057282 2711)	Barbican Centre
Feb 9-10	FT Conference: The Euromarkets in 1982 (01-621 1355)	Inter-Continental Hotel, W1
Feb 9-12	Offshore South East Asia Conference (01-546 5144)	Singapore
Feb 10-11	Spearhead Exhibition: UK Offshore Safety Conference (01-549 5831)	Eastbourne
Feb 15-17	AMR International Management Skills and Techniques for Women in Business *(01-262 2732)*	Kensington Hilton Hotel
Feb 16-17	Crown Eagle Communications: Gaining Value from Overhead Costs (01-636 0617)	Hilton Hotel, W1
Feb 17	Mills and Allen Communications: CBT Techniques and Uses—An Appreciation (01-240 1307)	London
Feb 25-26	The Economist: The World Market: protectionism or co-operation and expansion? (01-839 7000)	Hyde Park Hotel, W1
Feb 25	The Banker/OPC/LCCI: Growing Pains—Resolving the problems facing international Banks of establishing and developing a physical presence in the City of London (01-629 2483)	Cannon Street, EC4

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

BOARD MEETINGS—
Finals:
Alexanders Discount
Allied Textile
Kershaw (A.)
Megnit
Rank Organisation
Interims:
Mercantile House
Palmerston Inv. Tst.
Smith (David S.)
Sommerville (William)

DIVIDEND & INTEREST PAYMENTS—
Assoc. Tooling Inds. 1.8p
Banco De La Nacion Argentina Fltg. Rate Notes 1983 $93.19
Bankers Tst. New York Cap. $51.25 cts.
Bremar Tst. 1p
CPC Int. 48 cts.
Cement Roadstone 7pcPf. 2.45pc
Daon Development 4 cts.
Debenhams Ln. 5½, 3½pc
Fisher (Albert) 0.3125p
General Electric Company 80 cts
Kansallis-Osake-Pankki Fltg. Rate Cap. Notes 1933 $55.4896
Manufacturers Hanover 73 cts
Midland Int. Financial Services Gtd Fltg. Notes 1989 $93.17
Do. Gtd. Fltg. Rate Notes 1994 $986.02
Mortgage Bank of Denmark 6½pc 20-yr. Ext. Ln. 1936 Series 20 3½pc
Radiant Metal Finishing 1p
Redland 2.67p
Smith (W.H.) & Son 1.5p
Do. "B" 0.3p
Treasury 12pc 1995 6pc
Tunnel Hldgs. 6p
Vina Del Mar (Chile) 5pc (now 3pc) Stlg Ln. (Assd. 1948) 2.pc

TOMORROW

COMPANY MEETINGS—
Burton Group, Drapers Hall, Throgmorton Street, E.C., 12.00.
Gleeson (M.J.) Contractors, Haredon House, London Road, North Cheam, 12.00

BOARD MEETINGS—
Finals:
Ashdown Inv. Tst.
Dunbar
Vantage Securities
Interims:
Baird (Sidney C.)
Davy Corp
Hambro Tst.
Macarthys Pharmaceuticals
Priest (Benjamin)

DIVIDEND & INTEREST PAYMENTS—
Crestalite (Hldgs.) 1.75p
Treasury Ln. 7½pc 1985-88 3¾pc
Do. 7¾pc 2012-15 3⅞pc

WEDNESDAY JANUARY 27

COMPANY MEETINGS—
Greenish (J.A.), The Brewery, Hope Square, Weymouth, 12.00
Polly Peck, 37 Queen Street, E.C., 11.30
Freedman Heenan Int., Connaught Rooms, Great Queen Street, Kingsway, W.C., 12.00

BOARD MEETINGS—
Finals:
Sullosa
Edinburgh American Assets Tst.
Eurotherm Int.
Scottish American Inv.
Union Discount
Interims:
Assoc. Dairies
City of London Tst.
Dacrin
Pullman (R. and J.)
Stewart Plastics

DIVIDEND & INTEREST PAYMENTS—
Bank of Nova Scotia 44 cts
Camden Virginia Rate Rcd. $7.0719
Comfort Hotels Int. 0.2p
Dundonian 1.75p
Gleeson (M.J.) Contractors 1.25p
Grindlays Euro Finance B.V. Gtd. Fltg. Rate Cap. Notes 1998 $990.69
Rothmans Int. 1.15p
Societe Generale Fltg. Rate Notes 1991 $31.25
Tubos De Acero De Mexico S.A. Fltg. Rate Notes 1989 $503.13

THURSDAY JANUARY 28

COMPANY MEETINGS—
Bass, Bloomsbury Crest Hotel, Coram Street, W.C., 12.00
Borthwick (Thomas), Butchers Hall, 87, Bartholomew Close, E.C., 12.00
Causton (Sir Joseph), Causton House, Hanson Street, E., 11.30
Kenning (G. & S.), Isle Bank Mill, Keith 11.30
Northern Foods, Crange Park Hotel, Willerby Hull, 12.15
Ranks Hovis McDougall, The Dorchester Hotel, W., 12.00
Reliable Properties, Winchester House, 100 Old Broad Street, E.C., 12.00
Scottish Inv. Tst., 6 Albyn Place, Edinburgh, 11.00
Whittington, St Ermin's Hotel, Caxton Street, S.W., 12.00

BOARD MEETINGS—
Finals:
Evode
Healys
Hill and Smith
Hollingshall Tin (Malaysia)
Pratt (F.) Eng.
Warner Est.
Interims:
Fitch Lovell
Garford-Lilley Inds.
Hallite
Inchcape
Wellman Eng.

DIVIDEND & INTEREST PAYMENTS—
Asprey 15p
Canadian Imperial Bank of Commerce 52cts
Canadian Pacific 95cts
Do. Prf. 2pc
Do. Pr. 2pc (interchangeable)
Do. Non-Cum. Prf. 5pc 2pc
Do. 7½pc Red. Pfd. Series "A" 36.25 cts.
Cawoods Hldgs. 1.55p
Cavenish (J.A.) 0.25p
Equity & Law Life Assce. Society 4.5p
Great Portland Est. 1p
Hargreaves Group 1.6p
Harris (Phillip) (Hldgs.) 1.45p
Milbury 2.45p
Toronto-Dominion Bank 45cts. SC (Div./Scrip option)

FRIDAY JANUARY 29

COMPANY MEETINGS—
Cardiff Property, Angel Hotel, Cardiff, 12.00
Cooper (Frederick), The Goldthorn Hotel, Penn Road, Wolverhampton, 12.00
Higsons Brewery, Adelphi Hotel, Lime Street, Liverpool, 12.00
Pike (Hldgs.), Winchester House, 100, Old Broad Street, E.C., 12.00
Reliant Motor, Two Gates, Tamworth, Staffordshire, 12.00
Williams (John) of Cardiff, The Royal Hotel, St. Mary Street, Cardiff, 2.30

BOARD MEETINGS—
Interims:
Brown (John)
Longton Inds.
Needsend
Scottish English and European Textiles
Vibroplant
Wholesale

DIVIDEND & INTEREST PAYMENTS—
A-R Television 5.59pc Prf. 2.975pc
African Development Bank Fltg. Rate Notes 1993 $95.95
Alpine Soft Drinks 1.206p
Anglovaal 49.425972p
Do. Spcfty. Prf. 27.456870p
Arlington Motor Hldgs. 2.5p
Assoctd. British Eng. 0.275p
Attwood Garages 0.5p
Banco De Chile Fltg. Rate Notes 1986 $97.00
Bank of New South Wales 12cts
Barclays Overseas Inv. B.V. Gtd. Fltg. Rate Notes 1995 $485.02
Brascan Class "A" Cnv. 40cts
British Car Auction 2p
British Petroleum 8pc 2.8pc
Do. 9pc Prf. 3.15pc
Chapman (Balham) 2p
Chase Manhattan Fltg. Rate Notes $95.31
Consolidated Murchison 32.950648p
Dorangkande Rubber Ests. 1p
Dow Chemical 45cts
Eastern Transvaal Cons. Mines 32.950648p
Electra Inv. Tst. 1.4p
English and Intl. Tst. 1.5p
Equity Consort Inv. 3.75p
Foseco Minsep 8¼pc Prf. 4.125pc
Do. Ln. 5pc
Gomme Hldgs. 5.4pc Prf. 2.7pc
Hartebeestfontein Gold Mining 205.941551p
Hopkinsons Hldgs. 5.25pc Prf. 2.625pc
Hunslet (Hldgs.) Db. 3½pc
Inltaun Leisure Gp. 1.4p
Invresk Grp. Red 100 + Acc. Interest
Kalamazoo 4¼pc
Kleen-E-Ze Hldgs. 1.5p
Kynoch (G. and G.) 1p
Latham (James) 3.35p
Lowe's Companies Inc. 12cts
McKechnie Bros. 5pcPrf. 2.1pc
Malaysia Mining Cpn. Berhad 1.41609p
Manchester and Metropolitan Inv. Tst. 1p
Messina (Transvaal) Developmt. 37 Scts
Middle Witwatersrand (Western Areas) 12.031804p
NCR Cpn. 55cts
Owen Owen 6½pcPrf. 2.275pc
Do. Debs. 3½, 5½pc
Do. Lns. 3½, 4pc
Property Hldgs. and Inv. Tst. 1.35p
Ranks Hovis McDougall 2.333p
Reliable Prop. 1.25p
River Plate and General Inv. Tst. Deb. 2pc
Russell Alexander 0.54p
Shiloh Inv. 3p
Temple Bar Inv. Tst. 7pcPrf. 2.45pc
Tor Inv. Tst. Deb. 2¼pc
Trans America Corp. 35 cts.
Ultra Hldgs. Prf. 4pc
WGI 3p
Do. 4.9pc Prf. 2.45pc
Western Ground Rents Deb. 1¾pc
Whitecroft 5p
Wolseley-Hughes 9.35p

SATURDAY JANUARY 30

DIVIDEND & INTEREST PAYMENTS—
British Home Stores Ln. 4½pc
English and Scottish Investors Debs 2, 2½, 3½pc
Gale Lister Ln. 5pc
Hansons Brewery 3.85p
House of Fraser 4½pcPrf. 1.575pc
Do. 5½pcPrf. 1.925pc
Do. 7½pcPrf. 2.625pc
Do. Lns. 3, 4½pc
London and Lomond Inv. Tst. 4¼pcPrf. 1.4875p
Do. 5¼pcPrf. 1.8475p
Property and Reversionary Inv. 1p
Sale Tilney 5pcPf. 1.75p

SUNDAY JANUARY 31

DIVIDEND & INTEREST PAYMENTS—
Airflow Streamlines 10pcPrf. 5pc
Aitken Hume Ln. £0.0548
Allebone Ln. 3½pc
Alliance Prop. Hldgs. Deb.Stk. 4¼pc
Alliance Trust Deb. 2¼pc
Beattie (James) 6pcPrf. 2.1pc
Bentalls 5½pcPrf. 1.925pc
Bishopsgate Tst. 3½pcPrf. Stk. 1.75pc
British Dredging Ln. 4pc
Brixton Estt. Deb. 3pc
Brown Bros. Ln. Stk. 4¼pc
Capital and National Tst. 5pcPrf. 1.75pc
Do. Deb. 2¼pc
Combined English Stores Grp. 7¾pcPrf. 2.7125pc
Cook and Watts Ln. 4¾pc
Derby Tst. 6pcRed. 1982 6¾pc
Dewhirst (I. J.) (Hldgs.) 9.75pcPrf. 4.375pc
Drayton Commercial Inv. 4pcPrf. 1.4pc
Do. Debs. 1½, 2, 2½pc
Essex Water Co. 2.45pc (Fmly. 3½pc) Perp.Prf.Stk. 1.225pc
Do. 3.5pc (Fmly. 5pc) Prf.Stk. 1.75pc
Do. 3.15pc (Fmly. 4½pc) Prf.Stk. 1980-82 1.575pc
Do. 3.85pc (Fmly. 5½pc) Prf.Stk. 1981-83 1.925pc
Do. 4.025pc (Fmly. 5¾pc) Prf.Stk. 1988-1992 2.0125pc
Do. 4.2pc (Fmly. 6pc) Prf.Stk. 1984-86 2.1pc
Fobel Int. Ln. 4pc
Garnar Booth Ln. 4½pc
Gillett Bros. Discount Co. 3½pcPrf. 1.225pc
Grant (James) (East) 10¾pcPrf. 5.375pc
Guildhall Prop. 0pc. 3.4375pc
Hambros Inv. Tst. Deb. 3¼pc
Heinz (H. J.) Debs. 2¾, 3pc
Hudsons Bay 13.0355p
Interntl. Inv. Tst. Deb. 3¼pc
"Investing in Success" Equities Deb. 2¾pc
Jenks and Cattell 3.85pcPrf. 1.925pc
Do. 10pcPrf. 5pc
Johnson and Firth Brown Ln. 5pc
Lake and Elliot 6pcPrf. 2.1pc
Lewis (John) Props. Debs. 4¼, 5pc
Liberty 6pcPrf. 2.1pc, 9.5pcPrf. 4pc
Do. Deb. 347.5pc
Linread Ln. 4pc
M and G High Income Fund Inc. 3.8p
Marley 6½pcPrf. 2.275pc
Mercantile Inv. Tst. Deb. 2¼pc
Morris (B.O.) (Hldgs.) 5pcPrf. 1.75pc
Murray Glendevon Inv. Tst. Deb. 5.3pc
Orme Developmts. Ln. £pc0.337 (Final Payment 1/7/82 to 31/1/82)
Osborn (Samuel) Deb. 3½pc
Parker Knoll Deb. 4½pc
Pentos Ln. 7½pc
Pressac Hldgs. 10.5pcPrf. 5.25pc
Reed Intl. Deb. 2¾pc
Smith and Nephew Associated 5½pcPrf. 1.925p
Smiths Inds. Debs. 3¼, 5¼pc
Do. Ln. 3½pc
Star Great Britain Hldgs. Deb. 3pc
T.I. Raleigh Inds. Deb. 3pc
Talbex Grp. Ln. 5¾pc
Tanks Con. Inv. 9pcPrf. 4.5pc
Tarmac (Free of Income Tax) Ln. 4¾pc
Throgmorton Secured Growth Tst. Deb. 3.6875pc
Throgmorton Tst. 7½pcPrf. 2.5375pc
Do. Debs. (1982-87)
Tootal Ln. 3¼pc
Tysack (W.) Sons and Turner 7½pcPrf. 2.625p
U.D.S. Group Ln. 3¼pc
Vaux Breweries Debs. 3¼, 3¾pc
Whites (Timothy) Ln. 4pc
Wolseley-Hughes 6pcPrf. 2.1pc
Do. Debs. 3.55pc

Business game semi-finals

TWENTY-FIVE teams from 17 universities have made it to the semi-finals of the 1982 Inter-University Management Game and will play for £1,750 in the finals in London from April 5 to 7.

Conditions in the postal game are as true to life as possible—the teams have been faced with a relentless slump and credit has been hard to come by. The organisers say inexpert cash management is a widespread problem with about 10 per cent of the "companies" going into liquidation.

INSURANCE

Pay negotiations run into difficulties

BY BRIAN GROOM, LABOUR STAFF

THE LAST THING the British insurance industry wants is a difficult pay round as the composite companies prepare to report a likely fall in earnings for 1981 and count the cost of a hard winter. But some negotiations are beginning to run into trouble.

The Association of Scientific, Technical and Managerial Staffs (ASTMS) claims there is evidence that companies are attempting to impose a norm of about 8 per cent across the industry.

ASTMS is balloting its 5,500 members at General Accident on a "final" offer of a 7.8 per cent increase, plus a 0.7 per cent lump sum to be paid in July as a down payment on bonus scheme money of up to 2 per cent, which may be payable after the end of the year.

The result may be known today and the union will take rejection as a mandate for sanctions. The Association of Professional, Executive, Clerical and Computer Staff (Apex), representing 1,200 out of General Accident's 10,500 staff, has already voted to begin a *work-to-rule and overtime ban* on February 1 if the company does not indicate an improved offer by Thursday.

At Trade Indemnity, the credit insurance company, ASTMS members have threatened sanctions if an 8 per cent offer is not improved. At the Edinburgh headquarters of Scottish Provident Institution, ASTMS members have been refusing to answer the telephone as a sanction against another 8 per cent offer.

ASTMS feared before the start of the round that political pressure would be put on major companies to prevent finance sector pay deals running ahead of those elsewhere. Now Mr Peter Kennedy, national officer, says he is hearing many companies argue that rises should be held down in the national interest.

The level of insurance settlements is watched by negotiators in the politically sensitive clearing bank pay talks, where an offer will be made this week. Like the banks, insurance companies are conscious that high settlements with their own staff could damage relations with their hard-hit industrial customers.

Companies argue that there is no collusion, and that if some companies are making similar offers it is because a number of them are subject to similar pressures.

Although the industry's performance varies between companies and sectors—life assurance has been healthier than non-life business—some general arguments on profitability have emerged.

ASTMS says many companies have enjoyed a windfall on investment income from high interest rates, while companies apply that inflation adversely affects other parts of their business, and that they are subject to stiff competition in many sectors.

Some companies believe they need to curb staff costs. Stockbrokers W. Greenwell showed recently that staff remuneration rose by 23 per cent in nine major groups in 1980, while UK premiums rose by only 19 per cent. Managers say the gap will have widened in 1981.

At General Accident, Apex has argued that the company is currently one of the most profitable, but that its offer is below settlements at less profitable companies in the round's earlier stages.

ASTMS negotiated a 10.75 per cent rise at Royal Insurance, and the Banking, Insurance and Finance Union (Bifu) reached a deal at Eagle Star which involves a salary increase of 7 per cent, plus a 2.75 per cent to be paid in March. Bifu argues that, with extensions to the profit-sharing scheme, the package provides rises worth between 9.94 and 15.94 per cent.

Union negotiators in companies yet to begin pay talks know they will have a hard time matching the Royal's 10.75 per cent. Managers believe the outcome of this year's round may be a couple of points below inflation, perhaps 8-10 per cent.

Negotiations resume tomorrow in another major company, Guardian Royal Exchange, which has so far offered Bifu 6 per cent on salaries plus a 1.5 per cent cash bonus.

CONTRACTS AND TENDERS

COMPANY NOTICES

TECHNOLOGY

EDITED BY ALAN CANE

Computer power costs fall

LOUISE KEHOE in California, in the first of two articles, reports on the dramatic price and performance changes in new microcomputers.

THE COST of computer power is taking a nosedive with the announcement in the U.S. of personal computer systems by two of the major manufacturers in this field. This week, Tandy Corporation unveiled its entrant in the small business computer market — a 16-bit microprocessor based system with immense data storage capacity that will sell in the U.S. for less than $5,000.

Tandy's announcement came hot on the heels of Commodore International's introduction of a $595 8-bit system that is the most powerful available at the price. Tandy has become the first of the "personal computer" manufacturers to offer a 16-bit microprocessor based system.

Simultaneously

This beats its closest rival, Apple Computer, to the post. Built around the Motorola 6800 chip, the TRS 80 model 16 is geared to office applications and can handle up to three users simultaneously. Its 16-bit central processor unit makes it much faster than 8-bit machines such as the Apple II, Commodore Pet, or Tandy's TRS 80 model II. The 16-bit micro also enables the system to handle bigger, more complex computing tasks.

Performance

In terms of performance capability, the model 16 outclasses anything that Apple or Commodore have to offer. It is difficult to make price comparisons because capabilities differ, but a basic configuration of the Apple III costs about $3,750, while the IBM personal computer is priced at $4,950 basic.

But prices are deceptive. The computer is only one element of a system that for most business applications would include a printer, additional data storage devices and communications facilities.

At $4,999 in basic configuration, the Tandy computer comes with 128k bytes of internal memory and an eight-inch disk drive with 1.25 megabit capacity. Internal memory can, however, be expanded up to 512k and additional disk drives or a hard disk storage unit can be added. The company also announced a $699 "dumb terminal"—an extension unit with a screen and keyboard that can be plugged into the model 16 to allow second and third users to take advantage of its computing power.

Applications

With the model 16, Tandy will enter the small business computer market and compete with giants such as IBM.

It will also join several recent entrants such as Fortune Systems, Convergent Technology (whose machines are being sold by NCR, Burroughs and others) and Altos Computers who have launched "super micros" into the office computer field.

As with any new computer system, the model 16 lacks ready made applications programs. But Tandy has gone a long way towards solving the problem by incorporating an extra microprocessor—the Z80—which can be used to process programs that were originally designed for use on its top selling model 11.

Capabilities

Tandy says that later this year it will publish software designed specifically for the model 16. The company is also offering an upgrade kit to owners of its model 11. By plugging in a new circuit board carrying the 68000 microprocessor, Model 11 owners will have the full capabilities of the Model 16.

Jean Yates, an industry analyst at Gnostic Concepts, Menlo Park, California, says: "Adding compatability with the Model 11 will give Tandy a short term advantage, but the most significant point is that Tandy got there first with the 68000 based system."

While Apple is also believed to be developing a 68000 based system, the company will make no comment on when it might be introduced. Jean Yates predicts that Apple will lose market share to IBM and Tandy in the next 12 months—primarily because of their lack of a new product.

Currently, according to Gnostic Concept's figures, Tandy leads the personal computer market with an installed base worth $385m (June 1981). Apple is in second place with $290m and Commodore is third with $140m. But IBM could take second place by the middle of 1983, Yates predicts.

Louise Kehoe wrote this article using an Apple micro-computer, and transmitted it to the FT in London via a modem and software which enables the micro-computer to link into the paper's telex system.

A salesman demonstrates a Tandy personal computer at the company's shop in Seacoal Lane, London.

Flowmeter

A DOPPLER ultrasonic pipeline flowmeter for the measurement of crude oil, asphalt, water injection, drilling mud and cement and slurries has been designed by Euromatic Flometers 31, Cross Lances Road, Hounslow, Middx (01-570 2381).

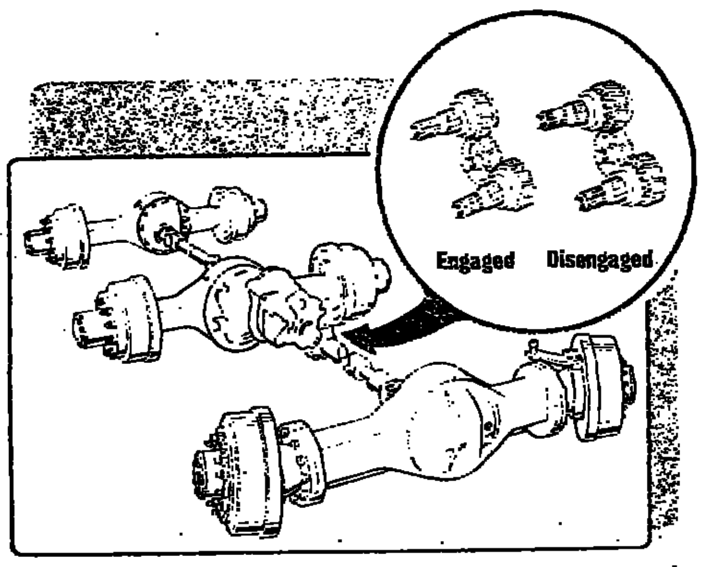
Advantages over the conventional turbine, the company claims is that the new design has no moving parts, no pressure drop, no reduction of pipe bore, and has an infinite life. It is available in one to 20 in diameters.

Hitachi denial

HITACHI IS reported to have notified prospective customers that later this year it will be able to supply samples of its 256k random access memory (RAM).

However, it has been denied by a Hitachi spokesman that the company plans to begin mass production in 1983 and to boost output to 100,000 a month by the Spring of 1984 (as has been rumoured).

Eaton announces power divider all-wheel-drive system



Eaton's new power divider and front steer/drive axle, designated the AWD eliminates the traditional transfer gearbox and offers an increase in payloads.

AN all-wheel-drive system for medium and heavy duty vehicles, claimed as compact and relatively lightweight, has been designed by Eaton's axle division in the U.S.

Eaton says that using a newly designed power divider and front steer/drive axle, the AWD eliminates the traditional transfer gearbox, thus allowing a significant increase in payloads. The 6 x 6 version directs 75 per cent of the available driving torque to the load-bearing tandem.

Modified

The AWD package is acceptable to a number of standard Eaton axle models because it is built around the usual two gear power dividers in the company's tandems.

In the AWD the power divider has been modified to accept a helical transfer gear. This is in constant mesh with the pionion helical gear and floats on a straddle mounted output shaft.

A sliding clutch splined to the output shaft is moved in and out of engagement with the transfer gear by a driver-controlled air valve. The clutch locks the transfer gear to the output shaft, directing power to the steer/drive axle driveline.

In tandem axles this air shift system also engages the inter-axle differential lockout simultaneously. This ensures optimum power distribution in poor traction conditions.

Assuming equal, or near equal traction for all wheels, the system distributes 25 per cent of the power to the front and 75 per cent to the rear wheels. This compares with the usual 50-50 distribution in transfer gearbox drivetrains.

Eaton claims that because additional shift levers are not needed, installation is simpler and maintenance easier.

The company is offering steer/drive axles in 16,000 and 18,000 lb capacities, and single axles for use in four wheel drive chassis from 18,500 to 35,000 lb. Tandem axles for six wheel drive chassis are available from 35,000 to 65,000 lb capacities.

A choice of single reduction, dual range or planetary double reduction gearing is available on most models.

Eaton Truck Components is at Staines Road, Hounslow, Middx (01-572 7313).

MAX COMMANDER

Lithium battery

A LITHIUM battery for memory preservation applications, developed for the C MOS RAM market, has been developed by Saft (UK). Designated the Dataguard range, it is available in three versions — 500mAh, 1,600 and 3,600mAh.

Saft says that the range has a shelf life of more than ten years. The batteries are chemically inert, non-toxic and available with terminations suitable for PCB mounting.

Saft is on 01-979 7755.

Door latch

EMIDATA has developed a compact unit which, installed on or near a hotel room door and used in conjunction with an electric latch, enables EMI's highly secure Watermark magnetic card to be used for room access in place of the conventional key.

About the size of a pack of cigarettes, the unit contains its own microprocessor and needs no external data processing facilities. A high level of security is claimed for the Watermark magnetic stripe, in which a confidential ten-digit identity number is permanently encoded by a patented process during manufacture.

It is claimed that the coding cannot be erased or altered in any way without destroying the card, and it is read with a specially designed magnetic head. But conventional, erasible data can be overwritten if necessary.

The unit designated 1004 SDU, is arranged as a "letter box" allowing the card to be inserted at speeds between 50 and 1,000 mm/sec. The identity number seen by the reader is compared with the internally held digits and if they match, a "bleep" is emitted and the latch operated. Emidata Systems is on 07535 53111.

Twin booms materials handler by Teleshift

TELESHIFT, a twin boom materials handler based on a 62 hp steering tractor skid unit capable of lifting a 30 cwt load to 16 feet, has been introduced for farmers by RWC Developments of Ledbury, Herefordshire.

Pallet forks are standard but buckets, grabs and forks can be fitted quickly by a single locking lever or by remote control from the cab. Further details from RWC, Homend Trading Estate, Ledbury (0531 2502).

WORLD STOCK MARKETS

HOLLAND

1981/82 High	Low	Jan. 22	Price Fls
88.3	65.5	AGF Holding	81
79.3	56	Ahold	60.8
27	15.7	AKZO	25.1
308	259.5	ABN	286
96.3	81.5	AMEV	82.9
60.1	50.5	AMRO	51.7
222	170	Bredero Cert	195
88.7	58	Bos Kalis	65
62	34	Buhrmann-Tet	39.2
41	18.1	Caland Hldgs	34.3
163	98	Elsevier-NDU nv.	136.1
148.5	110	Ennia	110.5
77.0	64	EuroCom Tst	74
71.6	49.8	Gist. Brocades	69.6
60.5	41.6	Heineken	52.8
20.4	13.3	Hoogovens	16.4
15.4	6.2	Hunter Douglas	7.2
22	12.6	Int-Muller	20.1
142	56	KLM	87.2
29.7	15.1	Naarde'n	28.9
126.8	106.8	Nat Ned Cert	108.5
49.8	32.5	Ned Cred Bank	33.5
202	116.2	Ned Mid Bank	120.7
167	92	Nedlloyd	133.8
129	60.5	Oce Grinten	73.3
36.7	26.8	Ommeren (Van)	30.5
49.3	35	Pakhoed	43.1
24.7	15	Philips	22.4
53.6	30.0	Rijn-Schelde	35
258	207.5	Robeco	216.7
123.8	109.9	Rodamco	119.4
275.2	203.1	Rolinco	212.5
139.9	117.2	Rorento	137.4
106.0	71.3	Royal Dutch	82.6
144	71.1	Slavenburg's	73.7
260.5	192	Tokyo Pac Hg	229
160.5	123.8	Unilever	155
181	118	Viking Res	124.5
51	28.1	VMF Stork	41.8
79.6	44.8	VNU	52.5
33	19.9	Volker-Stevin	29.5
220	57	West Utr Bank	85

NORWAY

1981/82 High	Low	Jan. 22	Price Kronor
123	100	Bergens Bank	116
140	77	Borregaard	132.5
149	111	Creditbank	142
84	47.5	Elkem	58
610	400	Kosmos	400
537.5	360	Norsk Hydro	405
273	135	Storebrand	245

HONG KONG

1981/82 High	Low	Jan. 22	Price H.K. $
36.75	18.5	Cheung Kong	21
3.85	2.00	Cosmos Prop.	2
11.7	7.90	Cross Harbour	11.2
176	99.5	Hang Seng Bank	130
8.75	4.20	HK Electric	5.65
10.80	5.00	HK Kowloon Wh.	5.5
14.8	7.6	HK Land	9.25
20.1	12.2	HK Shanghai Bk.	14.9
31.25	16.8	HK Telephone	30.25
25.5	13	Hutchison Wpa	17.6
27.70	12.5	Jardine Math.	19.2
7.30	4.05	New World Dev.	4.85
7.60	4.15	O'seas Trust Bk.	5.85
21.60	7.2	SKH Props	8.45
20.3	9.7	Swire Pac A	11.5
9.10	4.95	Wheel'k Mard A.	6.65
6.0	4.10	Wheel'k Mariti'e	5.20
5.40	2.00	World Int. Hldgs.	2.65

JAPAN

1981/82 High	Low	Jan. 24	Price Yen
1,020	745	Ajinomoto	900
911	540	Amada	720
694	378	Asahi Glass	680
620	431	Bridgestone	444
1,870	710	Canon	980
467	315	Citizen	329
775	559	Daiei	649
800	399	DKBO	470
890	537	Dia Nippon Ptg	766
456	255	Daiwa House	370
516	350	Daiwa Seiko	376
493	365	Ebara	458
1,320	801	Eisai	1,040
500	398	Fuji Bank	500
2,090	870	Fuji Film	1,460
1,500	[illegible]	[illegible]	[illegible]

TEL AVIV

Company	Prices Jan 17 1982	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	1,882	+ 28
IDB Bankholding	2,697	+ 45
Bank Hapoalim Br.	2,530	+ 49
Union Bank of Israel Br.	1,819	+ 74
United Mizrahi Bank	1,279	+ 20
Leumi Mort. Bank Br.	1,145	—
Hassneh Insurance Br.	1,342	+147
"Tefahot" Israel Mort. Bank Br.	1,740xd	—
Danot	369	+ 32
Land Development		
Africa Israel Inv.	2,920	+410
Property and Building	1,725	+ 65
Israel Land Developmnt.	1,610	+200
Public Utility		
Super-Sol "A"	1,315	+ 35
Investment Companies		
Bank Leumi Invest.	815	− 57
"Clal" Israel Invest.	1,448	− 19
Discount Invest.	980	− 90
Commercial and Industrial		
Polgat "B"	2,045	− 65
Argaman Textile Br.	560	− 8
"Ata" Textile "C"	600	+122
Amer. Israeli Ppr. Mills	1,345	− 85
Elite	2,570	− 32
Teva Reg.	1,939	−111
Dead Sea Works	2,200	+ 80
Fuel and Oil		
Delek	550	+ 10

xd Ex-dividend.

Source: Bank Leumi le Israel BM, Tel Aviv.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NEW YORK

CANADA

ITALY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

SOUTH AFRICA

Financial Rand US$0.76 (Discount of 26%)

BRAZIL

FRANCE

SINGAPORE

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

MONTREAL

TORONTO

NEW YORK ACTIVE STOCKS

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

To encourage the others

EUROPE IGNORED the upward trend in U.S. interest rates last week. In a defiant act of independence rates were cut in London, Frankfurt, Paris and Amsterdam. This concerted effort seems to have followed a meeting of finance ministers from the major economies the previous weekend. The German Bundesbank acted to encourage the others by cutting its special Lombard rate to 10 per cent from 10½ per cent on Thursday, giving the Dtuch central bank the courage to reduce its discount rate by a similar amount to 8½ per cent. On Friday official call money fell in line with the discount rate reduction in Amsterdam, but call money in Frankfurt was slightly firmer at around 9⅞ per cent, although still well down on the week.

Paris call money fell to 15 per cent from 15¼ per cent the same day, the lowest level since immediately after the election of President Mitterrand last May, although this appeared to be more the result of money market liquidity rather than any European drive to stimulate economies hampered by high interest rates.

In London the Bank of England reduced its dealing rates on eligible bills by up to ½ per cent when it intervened at 13⅞ per cent on Friday. In a related move National Westminster Bank led the other clearing banks in cutting base lending rate to 14 per cent from 14½ per cent.

Heavy tax payments and maturities of the large stock of bills held by the Bank of England, continued to keep the London money market very short of funds, but the authorities gave plenty of help and encouragement by cutting its market dealing rates each day. Well over £2bn of bills were bought to give assistance during the week, making about £4bn over the last fortnight.

Interbank interest rates fell in line with the trend, particularly on Friday after the bank base rate cuts. Seven-day money fell to 14¾ per cent from 14⅞ per cent, but the largest falls were in the longer periods, with three-month declining to 14½ per cent from 15⅛ per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 22	change		Jan. 22	change
LONDON			**NEW YORK**		
Base rates	14	−½	Prime rates	15¾	Unch'd
7 day Interbank	14¾-15	−⅛	Federal funds	13¾-14	+1⅛
3 mth Interbank	14⅛-14⅜	−1⅛	3 mth Treasury Bills	12.82	+0.87
Treasury Bill Tender	13.5169	−0.0290	6 Mth. Treasury Bills	13.26	+0.51
Band 1 Bills	13⅞	−½	3 Mth. CD	14.00	+0.60
Band 2 Bills	13⅞	−½	**FRANKFURT**		
Band 3 Bills	14⅛*	−⅛	Special Lombard	10	−0.5
3 Mth. Treasury Bills	13⅞-14	−1⅛	One Mth. Interbank	10.50	−0.35
1 Mth. Bank Bills	14	−½	Three month	10.25	−0.25
3 Mth. Bank Bills	13⅞-13¾	−⅛	**PARIS**		
TOKYO			Intervention Rate	14¾	Unch'd
One month Bills	6.65625	+0.0625	1 Mth. Interbank	15	−¼
Three month Bills	6.59375	+0.0625	Three month	15⅛	−⅛
BRUSSELS			**MILAN**		
One month	15¼	+⅜	One month	20⅛	Unch'd
Three month	15⅝	+⅜	Three month	21⅛	Unch'd
AMSTERDAM			**DUBLIN**		
One month	10	−⅝	One month	18¼	+¼
Three month	10⅛	−⅛	Three month	18½	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. *Last dealt on Thursday.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan. 22	Jan. 15		Jan. 22	Jan. 15
Bills on offer*	£100m	£100m	Top accepted rate of discount	13.5371%	14.5599%
Total of applications	£444.466m	£370.735m	Average rate of discount	13.5169%	14.5459%
Total allocated	£100m	£100m	Average yield	13.99%	15.09%
Minimum accepted bid	£96.625	£96.37	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	62%	78%			

*91 days

FT LONDON INTERBANK FIXING

3 months U.S. dollars

bid 14 3/16 | offer 14 11/16

6 months U.S. dollars

bid 15 5/16 | offer 15 7/16

The fixing rates (Jan 22) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 22 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	10-13	14½-15	—	—	14½-14⅞	14-14⅛	—	—	—
2 days notice	—	—	14½-14⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-15	14⅝-14¾	—	—	14¾-15	13¾-14¼	—	—	—
One month	14½-14⅜	14⅜-14⅝	14⅝	15⅜-15	14⅞	14¾	13¾-13⅞	13½-14	14	14¾
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14¾-14⅞ per cent; four years 14⅞-14⅞ per cent; five years 14⅞-14⅞ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅞-13⅞ per cent; four months trade bills 14½ per cent.

Approximate selling rate for one month Treasury bills 13⅞-13⅞ per cent; two months 13⅞-13⅞ per cent; three months 13⅞-13⅞ per cent. Approximate selling rate for one-month bank bills 13⅞ per cent; two months 13⅞ per cent; and three months 13⅞ per cent; one month trade bills 14½ per cent; two months 14½ per cent; three months 14½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15½ per cent from January 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 11½ per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.5169 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	14½-14⅝	14⅝-14⅞	14⅛-15¼	10-10⅛	8⅛-8⅝	10⅛-10⅛	15¼-15¾	22⅝-23	19¼-20¼	6⅞-6⅞
Six months	14½-14⅝	15⅛-15⅜	15⅝-16	10⅛-10¼	8⅝-8⅞	10⅛-10¼	16-16½	23⅝-24	19¾-20¾	6¾-6⅞
One Year	14⅝-14¾	15⅛-15⅜	16-16⅜	10¼-10⅜	8⅛-8¼	10⅛-10¼	17-17½	23½-24½	18¾-19¼	6⅞-6¾

SDR linked deposits: one month 12½-12¾ per cent; three months 12¹⁵⁄₁₆-13⁵⁄₁₆ per cent; six months 13³⁄₁₆-13⁹⁄₁₆ per cent; one year 13⅝-13⅞ per cent.
ECU linked deposits: one month 13½-13¾ per cent; three months 13¾-14⅛ per cent; six months 14⅛-14½ per cent; one year 14⅛-14½ per cent.
Asian $ (closing rates in Singapore): one month 13¹⁵⁄₁₆-14⅛ per cent; three months 14½-14⅝ per cent; six months 15⅛-15⅜ per cent; one year 15⅛-15½ per cent.
Long-term Eurodollar two years 14⅞-15⅛ per cent; three years 15⅛-16 per cent; four years 15⅞-16 per cent; five years 15⅞-16⅛ per cent nominal closing rates.
The following rates were quoted for London dollar certificates of deposit: one month 13.80-13.90 per cent; three months 14.25-14.35 per cent; six months 15.05-15.15 per cent; one year 15.30-15.40 per cent.

CURRENCIES AND GOLD

Dollar softens

The dollar weakened slightly against European currencies last week despite the trends in interest rates, which kept U.S. rates firm but led to reductions in London and several Continental centres. The Federal Reserve intervened to drain liquidity and push up the cost of overnight money in New York, while there was a general expectation of a fall in the money supply after the previous week's sharp rise.

Eurodollar rates were firmer, with three-month rising to 14¾ per cent from 14½ per cent, but Eurosterling, and most other Euromarket rates fell.

The dollar's trade-weighted index, as calculated by the Bank of England, rose to 109.3 per cent from 109.0 per cent. The U.S. currency weakened to DM 2.3065 from DM 2.3125 against the D-Mark; to SwFr 1.8525 from SwFr 1.8575 against the Swiss franc, but was unchanged at FFr 5.87 in terms of the French franc, and rose to Y227 from Y224.50 against the yen.

Early in the week the downward trend in European interest rates was accompanied by strong intervention by central banks, causing the dollar to lose ground on Monday despite rising Eurodollar rates on the back of the very bad money supply figures.

Sterling touched a peak of $1.9000 on Tuesday, boosted by the initial indications that the National Union of Mineworkers would not vote for strike action. It showed little change on the week however, finishing at $1.8730 compared with $1.8685 on the previous Friday.

The Dutch guilder remained the strongest member of the European Monetary System, followed by the French franc. The Dutch currency seemed little affected by the cut in the Netherlands central bank discount rate, while the Belgian franc improved slightly, but stayed the weakest EMS currency.

The only other significant movements involved the Irish punt and Danish krone, both of which lost ground during the week.

Gold had a quieter week after its previous fall of $24. The metal fell $1½ to finish at $374½-375½, in generally quiet and featureless trading. It touched a low of $366-367½ on Monday and a high point of $379-380 on Tuesday.

THE POUND SPOT AND FORWARD

Jan 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8660-1.8810	1.8725-1.8735	0.12-0.02c pm	0.45	0.10-0.20dis	−0.32
Canada	2.2270-2.2410	2.2345-2.2355	0.03cpm-0.07dis	−0.11	0.35-0.50dis	−0.76
Nethlnd.	4.71-4.75	4.73-4.74	1⅞-1⅝c pm	4.12	4⅜-4⅛ pm	3.80
Belgium	73.00-73.60	73.45-73.55	10-30c dis	−3.26	100-120 dis	−5.99
Denmark	14.05-14.15	14.14-14.15	1⅛-⅛ore pm	0.64	½-2 dis	−0.35
Ireland	1.2195-1.2280	1.2245-1.2265	0.28-0.39p dis	−3.28	1.13-1.29dis	−3.95
W. Ger.	4.29½-4.33½	4.31¾-4.32¾	1⅞-1⅝pf pm	4.51	4½-4 pm	3.93
Portugal	124.50-125.50	124.80-125.10	35-160c dis	−9.36	130-410 dis	−8.64
Spain	184.25-185.50	184.60-184.80	15-30c dis	−1.46	80-105 dis	−2.00
Italy	2.308-2.319	2.315-2.317	13-16 lire dis	−7.51	45½-48½ dis	−8.12
Norway	10.95-11.04	10.98½-11.00½	1⅞-1⅝ore pm	1.77	2-⅞ pm	0.52
France	10.93-11.01	10.99½-11.00½	½-1⅛c dis	−0.82	3⅛-4⅛ dis	−1.32
Sweden	10.50-10.58	10.52½-10.53½	2⅛-1⅞ore pm	2.28	5-4⅛ pm	1.73
Japan	420-428	424½-425½	3.10-2.80y pm	8.33	8.30-8.00 pm	7.67
Austria	30.15-30.35	30.20-30.25	15½-9½gro pm	4.96	38-28 pm	4.37
Switz.	3.44½-3.48½	3.46¾-3.47¾	2⅛-1⅝c pm	6.48	5⅛-4⅞ pm	5.90

Belgian rate is for convertible francs. Financial franc 82.25-82.35. Six-month forward dollar 0.80-0.90c dis, 12-month 1.55-1.75c dis.

THE DOLLAR SPOT AND FORWARD

Jan 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8660-1.8810	1.8725-1.8735	0.12-0.02c pm	0.45	0.10-0.20dis	−0.32
Ireland†	1.5270-1.5340	1.5270-1.5290	0.52-0.42c pm	3.68	1.45-1.30 pm	3.59
Canada	1.1923-1.1935	1.1930-1.1935	0.04-0.07c dis	−0.55	0.10-0.14dis	−0.40
Nethlnd.	2.5200-2.5300	2.5250-2.5300	0.90-0.80c pm	4.04	2.74-2.64 pm	4.26
Belgium	39.13-39.25	39.23-39.25	9-13c dis	−3.37	47-52 dis	−5.06
Denmark	7.5275-7.5525	7.5475-7.5525	par-⅛ore dis	−0.20	0.35-0.85dis	−0.32
W. Ger.	2.3000-2.3090	2.3060-2.3070	0.80-0.75pf pm	4.03	2.48-2.43 pm	4.26
Portugal	66.60-66.90	66.70-66.90	20-80c dis	−8.99	60-200 dis	−7.79
Spain	98.60-98.80	98.60-98.70	15-25c dis	−2.43	35-50 dis	−1.72
Italy	1,234-1,237½	1,235½-1,237½	7½-8 lire dis	−7.41	22-24 dis	−7.45
Norway	5.8660-5.8720	5.8670-5.8720	0.55-0.15ore pm	0.71	1.15-0.75 pm	0.65
France	5.8525-5.8750	5.8675-5.8725	0.35-0.50c dis	−0.87	1.25-1.50dis	−0.94
Sweden	5.6210-5.6340	5.6210-5.6230	1.00-0.80ore pm	1.92	2.90-2.45 pm	1.90
Japan	225.90-227.50	226.95-227.05	1.55-1.40y pm	7.80	4.40-4.25 pm	7.62
Austria	16.12-16.14½	16.12-16.13	7-5¾gro pm	4.74	20½-17½ pm	4.71
Switz.	1.8440-1.8540	1.8520-1.8530	0.93-0.88c pm	6.02	2.75-2.65 pm	5.83

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.8730	1.8723	1.8745	1.8815	1.8895
D-Mark	4.3225	4.3063	4.2775	4.2411	4.1570
French Franc	11.000	11.007	11.036	11.1103	11.2699
Swiss Franc	3.4725	3.4538	3.4213	3.3873	3.2808
Japanese Yen	425	422.1	416.8	409.8	396.4

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.5617	+1.97	+1.11	±1.5368
Danish Krone	7.91117	7.99676	+1.08	+0.22	±1.6412
German D-Mark	2.40989	2.44204	+1.33	+0.47	±1.1077
French Franc	6.17443	6.21066	+0.59	−0.27	±1.3733
Dutch Guilder	2.66382	2.67565	+0.44	−0.42	±1.5063
Irish Punt	0.684452	0.692962	+1.24	+0.38	±1.6688
Italian Lira	1300.67	1309.71	+0.70	+0.59	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for January 22 .... 0.566885

GOLD

	Jan. 22		Jan. 21	
Gold Bullion (fine ounce)				
Close	$374½-375½	(£200¼-201)	$377¼-378¼	(£200.1-200.6)
Opening	$376½-377½	(£200½-201)	$375-376	(£198.7-199.2)
Morning fixing	$377.75	(£201.714)	$375.25	(£198.703)
Afternoon fixing	$377.25	(£201.252)	$376	(£199.163)
Gold Coins				
Krugerrand	$386-387	(£206¼-206¾)	$388½-389½	(£206¼-206¾)
½ Krugerrand	$199-200	(£106¼-106¾)	$200¼-200¾	(£106¼-106¾)
¼ Krugerrand	$101½-102½	(£54¼-54¾)	$102-103	(£54¼-54¾)
1/10 Krugerrand	$41½-43½	(£22¼-22¾)	$42¾-43¾	(£22¾-23¼)
Mapleleaf	$387-388	(£206¾-207¼)	$389½-390½	(£206¾-207¼)
New Sovereigns	$92¼-92¾	(£49¼-49¾)	$92½-93	(£49-49½)
King Sovereigns	$105½-106½	(£56⅜-56⅞)	$105-106	(£55¾-56¼)
Victoria Sovs.	$105½-106½	(£56⅜-56⅞)	$105-106	(£55¾-56¼)
French 20s	$90-100	(£48-53½)	$90-100	(£47¾-53)
50 pesos Mexico	$464-468	(£248-250)	$468-472	(£248½-250½)
100 Cor. Austria	$365-368	(£195-196½)	$368-371	(£195½-197)
$20 Eagles	$500-505	(£267¼-270)	$500-505	(£265½-268)

OTHER CURRENCIES

Jan. 22	£	$		£ Note Rates
Argentina Peso	18,598-18,618†	9,900-9,950†	Austria	30.10-30.40
Australia Dollar	1.6850-1.6870	0.9015-0.9020	Belgium	82-85
Brazil Cruzeiro	246.80-247.80	131.56-132.22	Denmark	14.02-14.17
Finland Markka	8.256-8.274	4.4150-4.4170	France	10.91-11.01
Greek Drachma	109.501-113.896	58.00-59.10	Germany	4.28¾-4.32¾
Hong Kong Dollar	10.89-10.91	5.8125-5.8225	Italy	2360-2410
Iran Rial	150.60*	80.00*	Japan	424-429
Kuwait Dinar (KD)	0.529-0.533	0.2825-0.2837	Netherlands	4.70-4.74
Luxembourg Fr.	73.45-73.55	39.23-39.25	Norway	10.94-11.04
Malaysia Dollar	4.3350-4.3450	2.3210-2.3260	Portugal	124-132
New Zealand Dlr.	2.3060-2.3080	1.2330-1.2340	Spain	183½-191½
Saudi Arab. Riyal	6.39-6.45	3.4185-3.4210	Sweden	10.48-10.58
Singapore Dollar	3.8675-3.8775	2.0660-2.0670	Switzerland	3.44-3.48
Sth. African Rand	1.8185-1.8205	0.9710-0.9720	United States	1.86-1.88
U.A.E. Dirham	6.86-6.92	3.6715-3.6735	Yugoslavia	80-95

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

Jan. 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.9	−33.0
U.S. dollar	109.3	+2.6
Canadian dollar	88.8	−16.5
Austrian schilling	116.9	+24.8
Belgian franc	104.7	+7.8
Danish kroner	86.4	−10.9
Deutsche mark	122.0	+43.4
Swiss franc	152.4	+103.6
Guilder	114.4	+19.9
French franc	81.9	−13.9
Lira	55.2	−57.6
Yen	141.7	+35.9

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Jan. 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.614524	0.566885
U.S. $	12	1.14916	1.06093
Canadian $	14.72	1.37267	1.26547
Austria Sch.	6¾	18.5509	17.1180
Belgian F.	14	45.0356	41.5617
Danish Kr.	11	8.66493	7.98983
D mark	7½	2.64537	2.44204
Guilder	8½	2.90048	2.67565
French Fr.	9½	6.74728	6.21066
Lira	19	1418.64	1309.71
Yen	5½	259.768	240.195
Norwgn. Kr.	9	6.74847	6.22418
Spanish Pta.	8	113.422	104.788
Swedish Kr.	11	6.47364	5.96664
Swiss Fr.	6	2.12807	1.96552
Greek Dr'ch.	20½	—	62.7909

EXCHANGE CROSS RATES

Jan. 22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Frank
Pound Sterling	1.	1.873	4.323	434.0	11.00	3.473	4.735	2316.	2.335	73.50
U.S. Dollar	0.534	1.	2.308	226.9	5.873	1.854	2.528	1237.	1.193	39.24
Deutschemark	0.231	0.433	1.	100.4	2.545	0.803	1.095	535.8	0.517	17.00
Japanese Yen 1,000	2.303	4.407	10.17	1000.	25.35	8.171	11.14	5449.	5.256	172.9
French Franc 10	0.909	1.703	3.930	386.5	10.	3.157	4.305	2105.	2.032	66.82
Swiss Franc	0.288	0.539	1.245	122.4	3.168	1.	1.364	667.0	0.644	21.17
Dutch Guilder	0.211	0.396	0.913	89.76	2.323	0.733	1.	489.1	0.472	15.52
Italian Lira 1,000	0.432	0.809	1.866	183.5	4.750	1.499	2.044	1000.	0.965	31.74
Canadian Dollar	0.447	0.838	1.934	190.2	4.922	1.554	2.119	1036.	1.	32.89
Belgian Franc 100	1.361	2.548	5.881	578.2	14.97	4.724	6.442	3151.	3.041	100.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
[illegible]	F.P.	—	[illegible]	[illegible]	Asset Sprial 10p	29½	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Baillie Gifford'n Tst	98	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Cussins Prop.20p	85	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Eldridge Pope £1	335	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Equipu 10p	85	[illegible]
—	F.P.	—	[illegible]	[illegible]	F&C Enter. Warrants	8	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Fledgeling Inv.	61	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Haytors £1	162	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Malaysian Tin 5p	53	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Newmarket (1981) 5c	262	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Owners Abroad 10p	18½	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Peek Hldgs	8	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Speyhawk 10p	121	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Viners 1p	[illegible]	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	York Mount	47	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price £	+ or −
97.48	£25	—	[illegible]	[illegible]	Caisse Nat. Des Auto. 16% Gtd. Ln. 2006	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Essex Water 10% Red. Prf. 1986	[illegible]	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Habitat 9% Conv. Uns. Ln. '96-2001	[illegible]	[illegible]
[illegible]	F.P.	—	[illegible]	[illegible]	Haslemere Est 9pc.Conv Uns Ln.	[illegible]	[illegible]
$100	F.P.	—	[illegible]	[illegible]	Nat'wide Bdg. Society	[illegible]	[illegible]
$100	F.P.	—	[illegible]	[illegible]	Do.	[illegible]	[illegible]
$100	F.P.	—	[illegible]	[illegible]	Do.	[illegible]	[illegible]
59	F.P.	[illegible]	[illegible]	[illegible]	Pennine Comm. 12pc.Conv.Uns.Ln.	[illegible]	[illegible]
70	F.P.	—	[illegible]	[illegible]	Do. 15pc pc. Uns. 1986	[illegible]	[illegible]
100	F.P.	—	[illegible]	[illegible]	Telfos 12% Cnv. 1991	[illegible]	[illegible]
—	F.P.	—	[illegible]	[illegible]	Viners 10% Cnv. Loan 1988	[illegible]	[illegible]

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Guardian Royal Exchange
Royal Exchange, E.C.3. 01-283 7101

M & G Group
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MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
May	Nov.	Coronation 25c	58	28.9	Q60c	1.9	55.1
Nov.	May	Falcon Rh.50c	98	1.5	Q25c	18.3	20.7
Aug.		Roan Cons. K4	70	29.6	♦Q0.13	5.0	—
Nov.	May	Wankie Col. Rh.1	29	10.4	Q3c	1.2	7.7
May	Oct.	Zam.Cpr.SBD0.24	19	9/80	—	—	—

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
—		Acmex 50c	58	—	Q4c	—	4.9
—		ACM 20c	29	—	—	—	—
—		Argosy Gold NL 25c	6	—	—	—	—
—		Bond Corp.	148	—	Q10c	2.3	4.2
Nov.	Apr.	Bougainville I Kina	69	7.3	♦Q25.4c	1.6	‡
—		CRA 50c	156	16.3	Q19c	1.7	7.4
—		Canada Northwest	11	—	—	—	—
—		Carr Boyd 20c	15	—	—	—	—
—		Central Pacific	44	—	—	—	—
—		Cons. Gold Mn. N.L. 25c	3	—	—	—	—
—		Cultus Pacific N.L.	19	—	—	—	—
—		Eagle Corp. 10c	24	—	—	—	—
—		Endeavour 20c	28	—	—	—	—

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 20

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FINANCIAL TIMES

Monday January 25 1982

Howe may have scope for modest tax relief

By Peter Riddell, Political Editor

THE GOVERNMENT may have scope in the Budget for modest tax relief within existing public sector borrowing constraints, according to official indications detected by Tory MPs at Westminster.

But any relief is likely to fall short of the demands made by the handful of strong Cabinet critics of Treasury policy and by the 30 to 40 backbench critics, the so-called "wets."

The internal Tory debate about the size and nature of any expansionary measures will increase over the next few days, ahead of the Cabinet discussion on Budget strategy, and the Commons debate on the economy, both on Thursday.

These will follow the announcement tomorrow of an increase in the "headline" total of unemployment to more than 3m.

The signs are that Sir Geoffrey Howe, the Chancellor, has some room for manoeuvre in disarming most of his critics and heading off any sizeable rebellion. Mrs Thatcher is, however, keen to avoid any talk of relaxation.

Judging by reports of MPs' talks with Ministers, the Treasury wants to keep public sector borrowing close to the £9bn implied by the medium-term strategy.

But borrowing in 1982-83 is projected to be at least £1bn below this on some estimates. This is on the basis of current policies, assuming increases in income tax allowances and indirect tax duties in line with inflation.

This reflects the buoyancy of tax revenue and the impact of North Sea oil and gas sales. These estimates are still highly provisional, although the public sector pay outlook is looking healthier after the miners' ballot.

This leeway clearly strengthens Sir Geoffrey's position, though it is unclear how far he will indicate his broad intentions at Thursday's Cabinet or whether he will merely listen to his colleagues' views.

The tactics and aims of Cabinet and backbench critics are still somewhat disorganised. The few strong Cabinet critics generally favour £2bn to £3bn of expansion. But Mr Peter Walker, Agriculture Minister, may be sympathetic to larger-scale measures.

Many other Ministers, possibly up to half the Cabinet, are looking principally for some geenralised move in the direction of relief, or "positive" action, which they may well get.

Some of the most active backbench critics favour expansion in the £2bn to £3½bn range, taking public sector borrowing to between £11bn and £12bn in 1982-83, though in many cases their demands are not so precisely articulated.

But a handful of MPs support reflation of £6bn-plus. This group includes a few who have been talking to the Social Democrats and two or three who may defect after the Budget.

Tory backbench critics generally are divided about whether to limit their activities to private talks with Minsters and meetings of backbench specialist committees, or whether to go public in speeches or by gathering signatures for early-day motions, a measure of protest. There is some concern about provoking a loyalist backlash.

The "wets" also recognise their weakness, in that it is much more difficult to oppose a neutral or mild Budget than a tough one.

Lombard, Page 13

Continued from Page 1

Midland

expanded exports in spite of high exchange rates and low profit margins. In many cases exports have more than doubled as a percentage of turnover.

The CBI report notes that while recession has been the dominant cause of industrial change, it has also helped to create the circumstances in which change is most difficult—depressed profitability, shortage of finance and a slump in business confidence.

Even where the process of adjustment had proved successful, many of the benefits would remain dormant until demand improved, the report concludes.

The CBI notes: "Success in raising competitiveness can only be sustained if government acts to remove some of the externally composed constraints on companies, while doing what it can to secure economic stability and encourage business confidence."

The region, which has cast doubt on Whitehall and Westminster reports of an upturn in economic activity, calls for a cut in government-imposed costs on business.

It urges lower and more stable interest and exchange rates, and an immediate increase in public sector capital spending to stimulate economic recovery.

Labour to discuss role in corporate planning

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

CONTROVERSIAL proposals to involve a Labour government in key corporate decisions such as pricing strategy and product development are to be discussed by union and Labour Party leaders this week.

Central to the proposals is a form of development contract which would replace the last Labour government's ill-fated planning agreements and involve unions as well as the government and management.

These contracts would be backed up by sanctions and negotiated annually with all Britain's largest companies by a national planning agency.

The ide ais that the development contracts should have eventually a similar status to othed collective agreements and be based on a mutually-advantageous flow of information between companies and national planners.

The proposals are contained in a draft document to be put to a sub-committee of the Trades Union Congress Liaison Committee this week. Though they may well be modified they are likely to feature in some form in the Labour Party's industrial strategy at the next General Election.

Government involvement in corporate decision-making has long been a central part of Labour's Alternative Economic Strategy. The last Labour Government, however, failed to make any real progress towards implementing planning agreements, to the frustration of many in the Labour movement.

To avoid this recurring the TUC Liaison Committee, which brings together union and Labour leaders, is working on a set of proposals for national planning which would involve unions, at all levels, much more closely than under the previous planning agreements.

The idea is to link economic planning with industrial democracy in an attempt to influence what the committee sees as the key area of corporate decision-making, and so ensure individual companies' decisions are in step with the Government's national strategy.

The planners would try to reach agreement with companies over a whole range of issues which the committee believes are of common strategic importance.

As well as pricing, which the committee sees as a potentially powerful weapon for planners, these issues include questions of development, training policy, import penetration and industrial democracy.

Nevertheless the committee seems to think the development contracts would almost certainly have to be backed up by statutory powers. Precisely what these powers should be is one of several areas in which the committee still has to complete its studies.

EEC in final effort for agreement on Britain's budget contribution

BY JOHN WYLES IN BRUSSELS

EEC GOVERNMENTS will today make a "final" push for agreement on an elusive form of words to yield a long term solution to Britain's difficulties with the Community budget. But they will leave some of the Common Agricultural Policy's most serious problems virtually unchanged.

After at least nine rounds of discussion and negotiation since last September, the Ten's foreign ministers have assembled a package of guidelines for Community reform which could be completed today with a formula on the future of milk production and a resolution of the British budget problem.

Today's negotiations will pick up where the ministers left off ten days ago when they made surprising progress on the budget issue.

It is clear that the price to be paid by Lord Carrington, British Foreign Secretary, for a budget agreement is acceptance of a formula on milk which will give special aid to up to 900,000 small dairy producers.

More crucially, France and Ireland are blocking any specific commitment to reducing the existing dairy surplus which is 15-20 per cent above market requirements.

The view in London appears to be that the ceiling on the EEC's budget revenues will eventually force this problem to be tackled and in the meantime a new budget agreement would largely insulate the UK from meeting the costs of any unexpected surge in farm spending.

At their last meeting the ministers broadly agreed a mechanism for determining the amount by which the UK's payments to Brussels would be reduced.

However, the other Nine would not agree to Lord Carrington's demand for an agreement lasting five years, although the UK's original target had been a seven-year deal.

It is possible that Lord Carrington may take up the Nine's offer of a four-year deal. But he will also want a secure undertaking that there would be a review after three years with a possibility of extending the special budget arrangements if the UK's payments to Brussels are still excessive.

He will be determined to fight off a bid led by France to ensure that the special payments offsetting the UK's budget contributions should be reduced from one year to the next, irrespective of whether Britain's underlying budget position was improving or not.

BL car market share only 14%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL MADE a poor start to the year, and its market share during the first three weeks of January was only about 14 per cent.

This is one indication of how hard the group and its dealers will have to work if BL is to reach its targeted 21 per cent of new car sales in 1982.

Ironically the efforts the group made at the end of last year to squeeze its penetration up to 19.2 per cent for 1981 have had some impact on this month's performance.

Dealers were offered bonuses on the Maxi, Allegro, Princess and Metro in December if they could meet certain sales targets and this pulled forward some sales from January.

However BL's performance improved as the month progressed, boosted by a well advanced warning that Metro, Mini and Acclaim prices would rise by an average of 4 per cent in mid-February. The launch of the revamped Rover range last week should also help.

It is clear, however, that BL's January market share will be only a little above the nadir of 13.13 per cent in June 1980. The worst figure last year was 15.48 per cent in November, when the group was emerging from the so-called teabreak dispute.

At the same stage in January 1981 BL had a near 18 per cent market share.

The extreme conditions this winter have taken their toll and total car registrations after three weeks were down 40 per cent from the same period last year, from about 136,000 to 81,500 per cent according to figures circulating within the industry.

January is a month when private buyers predominate. But Ford, which gets the bulk of its business from company car buyers, has still managed around 31.5 per cent against just over 32 per cent for the same period last year.

Vauxhall, following the easier availability of the new Cavalier, has pushed up its market share to more than 11 per cent compared with 6 per cent. It looks as if January will be the third successive month that Vauxhall will have more than 11 per cent total sales.

January traditionally is also a good month for importers and in the first three weeks of 1982 the import penetration was nearly 60 per cent, up from 53 per cent, in spite of the Japanese share for the period being reduced from 12 per cent to 9 per cent.

Low morale at Leyland Vehicles, Page 5
Bathgate sit-in, Page 8

Pact sought on substandard ships

BY ANDREW FISHER, SHIPPING CORRESPONDENT

WEST EUROPEAN shipping nations plan tougher action against substandard ships visiting their ports. A firm declaration on safety and pollution is likely to be signed at a meeting in Paris tomorrow.

The increased determination to crack down on operators of unsafe or ill-equipped vessels comes as a United Nations convention on marine pollution is being ratified gradually. It is due to come into force early next year.

British representatives who will attend the Paris meeting hope the 13 West European countries will commit themselves to implementing the various laws and UN regulations aimed at making oceans safer and cleaner.

Held on French initiative the meeting will include the members of the European Economic Community (except Luxembourg), Finland, Norway, Portugal, Spain and Sweden. It will be chaired by M Louis le Pensec, France's Minister of the Sea.

Mr Ian Sproat, Parliamentary Under-Secretary of State at the Trade Department with responsibility for shipping, said he looked forward to a useful and productive meeting.

Two important maritime states, Greece and Italy, are expected to ratify the UN convention early this year. It has strict provisions to cut pollution, especially from tankers. A comprehensive safety convention came into force last year.

The UN agency responsible for maritime affairs, the London-based Inter-Governmental Maritime Consultative Organisation, said the convention was the most important treaty adopted in the fight against marine pollution.

Countries with fleets representing 41 per cent of world tonnage have ratified the convention, known as MARPOL. It will come into force one year after being accepted by the 15 countries representing half of the world merchant-fleet. West Germany last week became the 13th signatory.

British Rail

Continued from Page 1

early move towards setting up an inquiry, partly because of its hopes that Aslef will see how far BR has moved, and partly because it recognises it may well be of little value if Aslef refuses to accept its findings.

Acas officials were stressing yesterday that binding arbitration, though unusual, was provided for under the railways' negotiating procedures. Officials of the National Union of Railwaymen supported him, but Mr Bill Ronksley, former Aslef president, said compulsory arbitration had never been a normal feature of railway procedure.

The distance between BR and Aslef is likely to be emphasised when the Board and the union's executive hold separate meetings tomorrow. Aslef seems unlikely in its difficult financial position to call an all-out strike, and instead is expected to call another two-day strike on Wednesday and Thursday of next week.

Union officials claimed yesterday that their membership was fully behind the strikes — and that the longer the strikes went on, the greater the expectations would be of a successful settlement.

For its part, BR seems almost certain to sanction the suspension of payments to about 70,000 of its workers not on strike but who have been turning up for work on Sundays.

Sunday work does not fall under the railways' arrangements for payment of a guaranteed week's work. At time and three-quarters, it provides up to a third of the week's wages for staff working Sundays.

About 15,000 maintenance staff could also be affected, though some union leaders were doubtful that BR would take such a step. While suspension of Sunday payments is the first step towards shutting down the entire network, BR is unlikely to go much further very quickly.

Heseltine likely to amend rates Bill clause

By Robin Pauley

THE GOVERNMENT is expected to remove the most controversial aspect of its local government legislation as new opposition mounts to its second attempt to get a rates Bill passed.

The proposal causing most anxiety in the Local Government Finance (No 2) Bill, reflected in a number of backbench speeches in the second reading last week, is clause 4.

This would allow the Government to withhold extra grant from councils as a surprise penalty for overspending targets. Councils would be forbidden from making up the loss through a supplementary rate.

The ban on supplementary rates will remain but the clause is likely to be amended to prevent the Government from influencing grant payable to councils after the start of the financial year. The same time constraint will be placed on councils to fix their first and final rate.

Mr Michael Heseltine, Environment Secretary, is expected to change the offending clause in the committee stage, which starts today.

This will allow the Government to argue that it has bowed to the strong protests put forward by the local authorities. It will also ease the Bill's progress.

The clause cannot be dropped altogether because part of it confirms the arrangements in the 1980 Local Government Planning and Land Act for withholding grant from overspenders in the current year.

Environment Department lawyers are not sure the measures are legal under the 1980 Act. The new clause makes "doubly certain."

Department ministers apparently feel there is a strong argument for the Government and councils to be bound by the same time constraints.

The Department wanted to take strong action against about six authorities under the original proposals. These would have forced a referendum before rates could be raised by more than a centrally set amount.

But three — GLC, Inner London Education Authority and Camden — receive no grant anyway, and are therefore unaffected by any surprise grant penalty.

If the proposal is removed Mr Heseltine hopes backbenchers and local authorities will have little objection to the rest of the Bill. It will establish an Audit Commission to allocate auditors from public and private sector to councils.

The Treasury may still object to the change, however, because it removes the Government's power to act against an overshoot of the targets.

Weather

UK TODAY

Generally mild. Rain and fog, bright intervals.

London, S.E., E., Central Northern, N.E. England, Midlands, Borders, Edinburgh.
Dull and misty with drizzle and hill fog at first. Sunny intervals. Max. 12C (54F).

Central Southern, S.W., N.W. England, Wales, S.W. Scotland, Central Highlands, N. Ireland
Hill and coastal fog and drizzle. Cloudy. Bright intervals inland. Max. 11C (52F).

N.W., N.E. Scotland, Orkney, Shetland
Cloudy with hill fog Rain. Max. 8C (46F).

Outlook: Rain will spread S.E. to all parts

WORLDWIDE

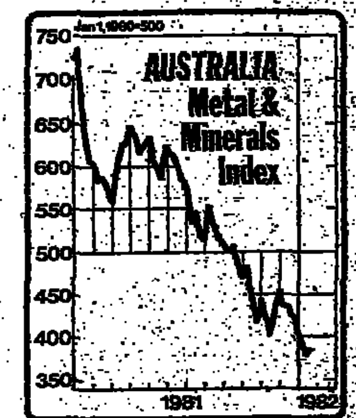
Ajaccio	S	12	54	London	S	7	45
Algiers	C	13	55	L. Ang.†	F	20	68
Amsdm.	C	3	37	Luxmbg.	C	1	34
Athens	R	8	46	Luxor	S	1	70
Barclna	F	9	48	Madrid	S	10	70
Beirut	S	18	14	Majorca	F	12	54
Belfast	C	−3	27	Malaga	3S	17	6
Berlin	Sn	−1	30	Malta	R	9	48
Biarritz	R	11	52	M'chstr	C	4	39
Bmghm	C	6	43	Miami†	C	24	76
Blackpl	Fg	5	41	Milan	Sn	0	32
Bordx.	C	9	48	Montrl.†	C	−17	1
Boulgn.	C	3	37	M'sc'w	Sn	−9	16
Bristol	C	7	45	Munich	C	0	32
Brussels	C	2	36	Nairobi	S	27	81
Budpst.	F	−2	28	Naples	S	11	52
Cairo	C	18	64	Nwcstl.	C	8	46
Cardiff	Fg	7	45	N York†	C	7	45
Cas'b'ca	F	15	59	Nice	S	12	54
Cape T	S	23	73	Nicosia	S	18	64
Chicg.†	C	−8	18	Oporto	F	1	52
Cpnhn.	Sn	−1	30	Oslo	S	—	23
Corfu	R	10	50	Paris	F	2	36
Dublin	R	10	50	Perth	S	23	73
Dbrvnk.	F	10	50	Prague	R	−1	30
Ednbgh.	C	7	45	Rykjvk.	C	2	36
Faro	S	15	59	Rhodes	F	16	61
Frankft.	C	1	34	Rome	S	12	54
Funchal	F	18	64	Salzbg.	Sl	1	34
Geneva	C	3	37	S'tiago†	F	13	55
Gibrltr	S	17	63	Stckhm.	F	−12	10
Gl'sg'w	R	6	43	Str'bg.	Fg	1	34
G'nsey	Fg	8	46	Tangier	F	15	59
Helsinki	C	−10	14	Tel Aviv	S	22	72
H. Kong	S	23	73	Tenerife	F	21	70
Inn'bk.	Sn	−1	34	Tokyo	C	11	52
I.o.Man	R	8	46	T'r'nto†	R	—	19
Istanbul	C	4	39	Tunis	R	11	52
Jersey	C	7	45	Valencia	C	10	50
Jo'burg	F	24	75	Venice	F	5	41
L. Plms	F	19	66	Vienna	C	−2	28
Lisbon	Fg	10	50	Warsaw	C	−2	28
Locarno	F	1	34	Zurich	C	1	34

C—Cloudy. F—Fair. Fg—Fog. R Rain. S—Sunny. Sl—Sleet. Sn—Snow. †Noon GMT temperatures.

THE LEX COLUMN

In the dumps Down Under

The Sydney All Ordinaries index earned a dubious kind of distinction on Friday by recording its first daily rise of 1982. After proving one of the most disastrous investments of 1981, the index has kicked off the New Year with a further fall of almost 9 per cent.



The Metal and Minerals Index has turned in an even worse performance and the general consensus among Australian analysts is that the market may have further to fall before domestic institutions, which have been the heaviest sellers, can be tempted back.

The most immediate reason for the pronounced weakness in equities is the very high level of short-term interest rates. Prime rates of 16¼ per cent compare with an annual increase in consumer prices of about 10 per cent and an average yield on resource stocks of close to 4 per cent. Ten-year government bonds are yielding 15 per cent or more.

The tighter monetary stance has already brought the growth in M3 back within the 10-11 per cent target range but, with the current account likely to show a deficit of about A$8bn in the fiscal year to June, the authorities are unlikely to regard that as sufficient reason for loosening the reins.

The Government is committed to a reduction in the overall budget deficit but, even if this is achieved, the weight of corporate loan demand is likely to maintain the pressure on bond prices. Fixed capital investment is set to increase by about 15 per cent in real terms during the current year.

So, unless the U.S. Federal Reserve permits a general easing in world interest rates, the Australian equity market is likely to labour against an exceptionally high yield gap and very tempting deposit rates.

The high cost of debt finance is itself likely to tempt several of Australia's largest resource companies to the equity market for funds. The interim reporting season will get under way next week and cash calls seem on the cards from Woodside Petroleum, which has made the spring rights issue almost an annual event, Broken Hill, MIM Holdings and CRA.

In some cases, Australian companies have brought the cash shortfalls upon themselves. MIM, for example, is spending heavily to boost its holding in Asarco, the U.S. mining company.

More often, the unexpected softening in base metal and energy prices has deprived the resource sector of the funds it requires for capital commitments. Woodside recently announced that it was deferring the second stage of its North West Shelf gas development but, elsewhere, there are few signs of cutbacks. In the case of iron ore, for example, projects are being discussed which could lead to a heavy oversupply.

The equity market has certainly discounted a very gloomy set of interim reports and a weak trend in base metal prices lasting well into the second half of this year. The optimists suggest that the market will soon begin to look for a recovery, particularly in those metals — like nickel — where stockpiles are not at alarming levels. But that view is exceptional among Australian analysts and the small volume of buying which the market has seen recently has emanated principally from abroad.

For the international investor, Australia has lost much of the allure which helped to drive the market up in the late 1970s. The past year has shown that, while Australia may be located on the periphery of an area enjoying remarkably high growth rates, that is no guarantee of secular growth in corporate earnings.

Moreover, Australia's industrial relations record has been badly tarnished by a series of strikes and the recent settlement with the metal workers, providing wage increases of roughly twice the inflation rate, emphasised the cost pressures under which the resources industry is labouring. While the premium rating often afforded to Australian companies over comparable groups in Canada or the U.S. is unlikely to disappear, it is probably being held in question.

Taking a long-term view, the Australian market may by now be offering good value. Its resource companies are relatively low-cost producers and the gearing effect of any increase in metal prices would be considerable. But, to judge from the market's dismal performance over the past fortnight, Australia's own investing institutions are not yet persuaded.

Inflating the past

The illusion of inflation-fuelled growth, much cherished by company chairmen who enjoy announcing "record" profits for the 30th successive year, has proved amazingly durable. An overdue step in the direction of reality is now being taken by the Accounting Standards Committee, which is publishing a very welcome discussion paper on the drawing up of 10-year summaries in companies' current cost accounts.

CCA having been born the day before yesterday, 10-year summaries are not exactly commonplace, but the ASC is clearly concerned that they should mean something as they are built up. Some brave companies—Distillers and Tate and Lyle among them—have started adjusting the previous year's current cost information into the pounds of the reporting year, and the ASC wants to extend this practice to summaries over a longer period, over which unadjusted information would naturally become increasingly misleading.

It sensibly suggests that the retail price index should be used to inflate past years' figures. Despite its imperfections when applied to some companies' experience of inflation, the RPI is remarkably close to the total final expenditure deflator over the long term, it is familiar, readily available, calculated monthly and not subject to revision. The question of whether average or end-year indices should be used is left very much open to discussion.

One of the best suggestions is that total current cost equity interest per share, restated on a current purchasing power basis, should become an essential feature of a ten-year summary. That would really sort the sheep from the goats: already a number of companies, having come up with a fat figure for current cost net worth in their first year of CCA accounts, have shown a big fall in the second year, which would of course be bigger still if stated in current pounds. If all this helps stop undeserving companies from raising unnecessary capital, so much the better.

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